European Commission

A NEW CHAPTER FOR GREECE

KEY INDICATORS AND FIGURES

"After 20 August, Greece will emerge from eight years of financial assistance programmes. It will no longer need to rely on other European countries for financing. Its place at the heart of the euro area and the European Union is secured."

European Commission President Jean-Claude Juncker

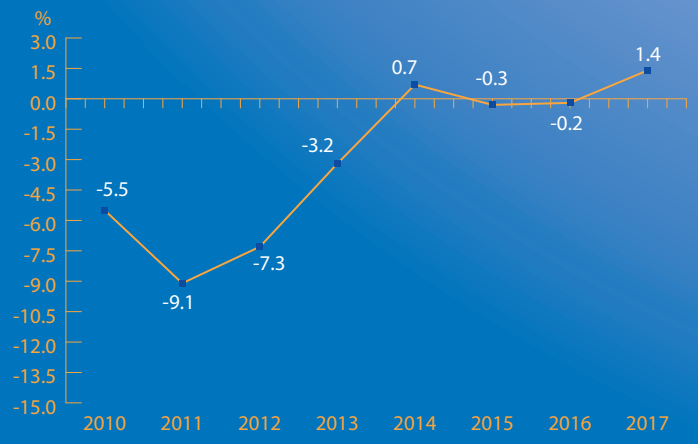
In August 2015, upon the request of the Greek authorities, the European Commission signed, on behalf of the European Stability Mechanism, an agreement with Greece for a new stability support programme worth up to €86 billion over the course of three years. In return for this support was a commitment to implement comprehensive reforms to establish a modern public administration, foster jobs and growth and deliver sustainable public finances.

These reforms have started to deliver real, tangible results. Economic growth has returned. Unemployment, while still too high, is falling. Public finances have been stabilised. The progress achieved by Greece must be maintained up to the conclusion of the programme and beyond to provide a platform for solid, sustainable growth in the years ahead.

The Commission remains focused on working with Greece and our partners to ensure that the conclusion of the stability support programme is a success. The time has come for Greece to begin a new chapter at the heart of the euro area and European Union.

KEY INDICATORS

ECONOMIC GROWTH



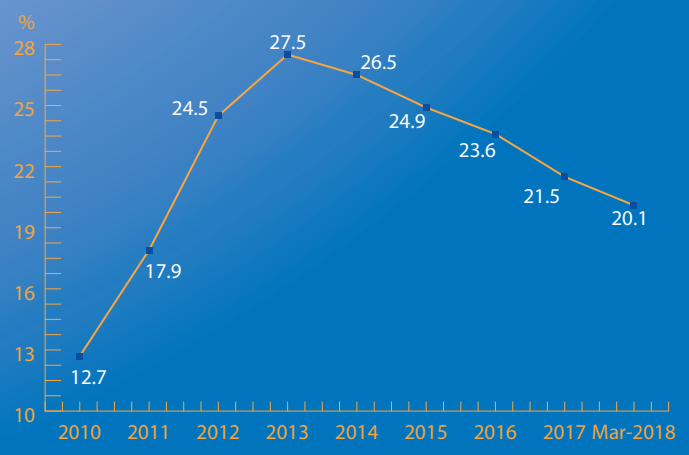
2010: -5.5%
2017: 1.4%

Economic growth has returned as the recovery has begun to take hold, rebounding from -5.5% in 2010 to 1.4% in 2017. The growth-enhancing structural reforms implemented under the stability support programme have helped Greece return to stability and growth in a financially and socially sustainable way. Growth for 2018 and 2019 is estimated to be around 2%.

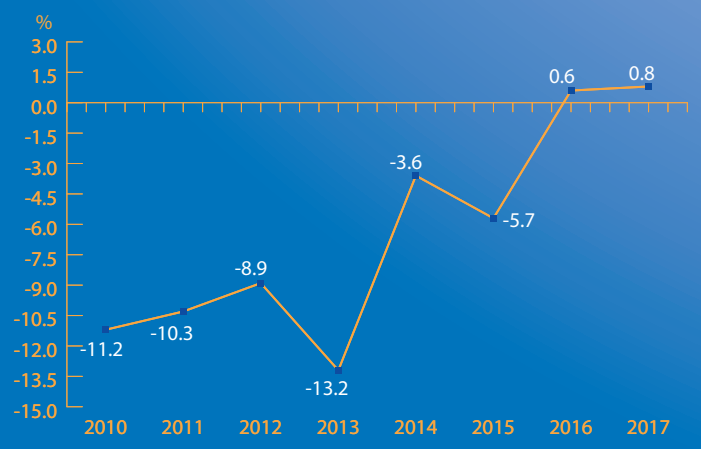
UNEMPLOYMENT RATE

2010: 12.7%,
March 2018: 20.1%

In 2010 unemployment was at 12.7%. After reaching a peak of 27.9% in July 2013, it has now decreased to 20.1% in March 2018. While unemployment remains unacceptably high, labour market conditions continue to improve. The reduction in 2017 was the greatest single year decline since the peak in 2013. More than 100,000 new jobs have been created since the start of the stability support programme in 2015.



GENERAL GOVERNMENT BALANCE



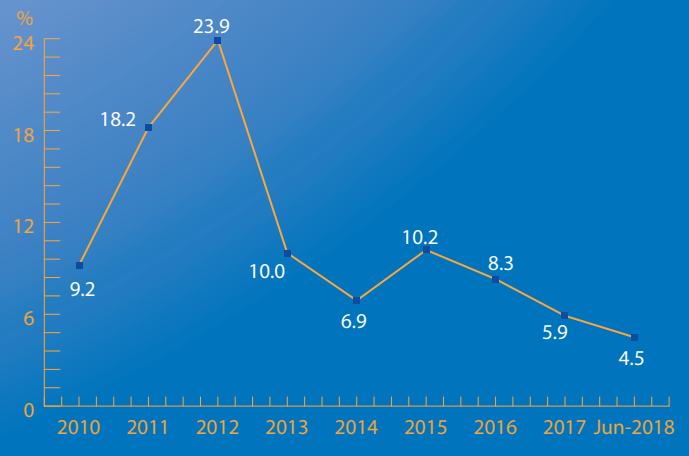
2010: -11.2%
2017: 0.8%

Greece has made significant progress in returning to a path of fiscal sustainability, with the general government balance reduced from -11.2% in 2010 to a surplus of 0.8% in 2017 (a primary surplus of 4.2% in programme terms). It has consistently outperformed the programme's fiscal targets. This follows substantial efforts to consolidate public finances, progress made in reform implementation and the recovery in economic growth.

10 YEAR BOND YIELDS

1 March 2012: 36.2%
13 June 2018: 4.5%

In late 2017, Greece's 10-year bond yield, indicating the cost of Greece borrowing on the financial markets, fell below 4% for the first time since 2006. It went from 9.2% in 2010 to below 4% in early 2018. Greece's credit rating has been upgraded by all major rating agencies since 2015. This reflects the progress Greece has made in restoring confidence in the sustainability of its public finances.



KEY FIGURES

€273.7 billion

In total, €241.6 billion in financial support has been disbursed by Greece's European partners since the first financial assistance programme in 2010. Of this, €46.9 billion in financial assistance has been disbursed since the beginning of the current programme in 2015. The International Monetary Fund disbursed an additional €32.1 billion in the first two programmes (2010-2014). The total adds to €273.7 billion since 2010.

The Juncker Commission launched the plan for a "New Start for Jobs and Growth in Greece" in summer 2015 to help Greece stabilise its economy and maximise its use of EU funds to boost jobs, growth and investment. Greece has so far received almost €16 billion from a large pool of EU funds as a result of measures adopted under the Plan. This is equivalent to over 9% of the 2017 annual gross domestic product of Greece. As a result of the exceptional measures and technical assistance provided by the Commission, Greece was the first Member State to reach 100% absorption of available funds for the period 2007-2013 from the European Regional Development Fund, Cohesion Fund and European Social Fund. Greece is now the top absorber of these funds for the period 2014-2020.

€15.9 billion

€10 billion

Greece is the biggest beneficiary, relative to the GDP, of the European Fund for Strategic Investments, the central pillar of the Commission's Juncker Plan launched in 2015, with some €10 billion in investments already expected to be triggered. The plan is supporting infrastructure projects across the country and helping over 20,000 small businesses get access to the finance they need to invest, expand and create jobs.

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A NEW CHAPTER FOR GREECE

A NEW START FOR JOBS AND GROWTH

The Commission proposed an action plan in 2015 to help Greece maximise its use of EU funds, with the aim of mobilising up to €35 billion under various funding programmes for the period 2014-2020.

The plan was designed to complement the European Stability Mechanism (ESM) stability support programme and represented a continuation of the financial support the EU has provided to Greece throughout the economic crisis.

As a result of the exceptional measures provided for in the plan, Greece has received almost €16 billion.

The European Structural and Investment Funds and other European funds are by far the main source of public investment in Greece. This is equivalent to 9% of the 2017 annual gross domestic product of Greece.

- Greece was the first Member State to have fully absorbed all the European funds available for the period 2007-2013 from the European Regional Development Fund, Cohesion Fund and European Social Fund.
- Greece is among the top absorber of funds available from the European Regional Development Fund, Cohesion Fund and European Social Fund for the period 2014-2020.

TECHNICAL ASSISTANCE FOR REFORM SUPPORT

Greece benefits from technical support for building administrative capacity for the design and implementation of structural reforms. Technical support has been closely aligned with the provisions of the ESM stability support programme.

The Commission's Structural Reform Support Service coordinates all technical support provided to Greece in that context: identifies the appropriate technical support provider, defines the support and ensures its delivery, supervision, monitoring and evaluation.

Reform projects so far supported include:

- Establishing and getting up and running the new Independent Authority for Public Revenue.
- More efficient human-resource management in the public sector.
- The consolidation of a large number of Greek pension funds into a Single Social Security Fund (EFKA).
- Setting up and beginning to implement a new framework for enforced collection of assets for private debts (e-auctions).

THE JUNCKER PLAN – SUPPORTING INVESTMENTS

The European Fund for Strategic Investments (EFSI), the core of the Juncker Plan, was established to make smarter use of new and existing financial resources in order to boost investment, create jobs and spur growth in Europe.

Greece is the top beneficiary under the Juncker Plan in terms of EFSI-triggered investment relative to GDP.

Total financing under the EFSI in Greece via both the European Investment Fund and the European Investment Bank amounts to €2.6 billion and is set to trigger €10 billion in investments.

Nearly 20,000 small and medium sized companies in Greece are set to benefit from improved access to finance thanks to these agreements.

Some examples of projects the Juncker Plan has helped to finance include:

- €150 million loan to telecoms operator Cosmote to roll out high-speed broadband across Greece.
- €24 million loan to Terna Energy Group to build three new wind farms in Viotia.
- Mani Foods, a Greek SME, secured a loan from the National Bank of Greece to invest in new machinery and staff for its Kalamata olive production company.

SUPPORT FOR MANAGING MIGRATION

Since 2015, the European Commission has supported Greece with more than €1.6 billion to manage migration, humanitarian situation and the external borders. This funding includes over €393 million in emergency support which comes on top of the €561 million already allocated to Greece under the Asylum Migration and Integration Fund and the Internal Security Fund. With a cumulated allocated funding of over €950 million, Greece is the top beneficiary amongst all Member States under these funds, which support national efforts to for example improve reception capacities and asylum procedures, increase the effectiveness of return programmes and better control the external borders.

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FURTHER DETAILS ON THE IMPLEMENTATION OF DEBT MEASURES

The sustainability of debt is important for the fiscal health of any country. One of the legacies of the crisis is that the public debt in Greece is still very high: 179% of GDP in 2017 (the highest in Europe). Debt payments can pose an undue burden on public finances and thus stifle the economy that has returned to growth. A number of debt measures have been implemented and several have been discussed by the Eurogroup to ease Greece's debt burden.

2012 DEBT MEASURES

The EU has already taken important steps to improve the sustainability of Greek debt. In November 2012, the Eurogroup approved a set of measures designed to ease Greece's debt burden and bring its public debt back to a sustainable path. These measures included:

- **reducing the interest rate** charged to Greece on the bilateral loans in the context of the Greek Loan Facility by 100 basis points.
- **cancelling the European Financial Stability Facility (EFSF) guarantee commitment fee** of 10 basis points (it is estimated that this will save a total of €2.7 billion over the entire period of European Financial Stability Facility loans to Greece).
- **extending the maturity of Greek Loan Facility and European Financial Stability Facility loans** by 15 years (to an average loan maturity of over 30 years), significantly improving the country's debt profile.
- **deferring interest rate payments on European Financial Stability Facility loans** by 10 years (it is estimated that this will lower the country's financing needs by €12.9 billion by 2022).
- passing on to Greece an amount equivalent to **the income of the ECB's Securities Markets Programme** (SMP) portfolio accruing to euro area Member States' national central banks. Greece has received around €2.7billion between 2012-2014.

In March 2012, an agreement was reached to make Greece's debts more sustainable through a restructuring of its sovereign debt. About 97% of the €205.6 billion in bonds held by private investors participated in the debt exchange, leading to a reduction in Greece's debt burden of about €107 billion.

2016: SHORT-TERM MEASURES

In May 2016, the Eurogroup laid out a roadmap for more debt relief. They promised measures that would be implemented in the short, the medium and the long term. The first set of measures was implemented in 2017, consisting of three pillars:

- **smoothing Greece's repayment profile:** the maturity of the loans of the European Financial Stability Facility programme (the second programme) has been brought back up to the maximum of 32.5 years, and the repayment scheduled re-profiled, to avoid a number of repayment humps in the 2030s and 2040s.
- **reducing interest rate risk** through three schemes: bond exchange, swap arrangements and matched funding.
- **waiving the step-up interest rate margin for 2017**: this applies to the €11.3 billion instalment of the EFSF programme. A margin of 2% had originally been foreseen for 2017 onwards, but was not charged for the year 2017.

This package will reduce the country's debt-to-GDP ratio by about 25 percentage points by 2060, and Greece's gross financing needs-to-GDP ratio by around six percentage points. This means that the future generation of Greeks will have to pay billions of euros less to service their country's public debt (without incurring any impact on taxpayers elsewhere).

MEDIUM AND LONG TERM MEASURES

Euro area area finance ministers will now assess whether Greece needs more relief to ensure the sustainability of its debt stock. These are the medium-term measures, and they may concern:

- ✓ Maturity extensions and deferral of payments on EFSF loans and liability management operations within the current ESM programme envelope.
- ✓ The waiver of certain extra interest payments on a portion of the European Financial Stability Facility loans.
- ✓ Redistributing profits from Greek bonds held by the ECB and national central banks back to the country.

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FURTHER DETAILS ON DISBURSEMENTS OF FINANCIAL ASSISTANCE

In total, Greece has received a total of €273.7 billion in financial assistance since 2010. €241.6 billion of this has come from its European partners, with a further €32.1 billion from the International Monetary Fund*.

In August 2015, upon the request of the Greek authorities, the European Commission signed, on behalf of the European Stability Mechanism, an agreement with Greece for a new stability support programme. The agreement established that the stability support programme would provide loans of up to €86 billion over the course of three years in return for the implementation of reforms to address fundamental economic and social challenges. €46.9 billion has so far been disbursed under the current programme.

Programme	Date	EU body	Amount (€ bn)	IMF amount (€ bn)	Total (€ bn)
Total - 1st financial assistance programme		Greek Loan Facility (GLF)	52.9	20.1	73
Total - 2nd financial assistance programme		European Financial Stability Fund (EFSF)	141.8	12	153.8
ESM stability support programme	August / December 2015	European Stability Mechanism (ESM)	21.4		21.4
ESM stability support programme	June 2016	European Stability Mechanism (ESM)	7.5		7.5
ESM stability support programme	October 2016	European Stability Mechanism (ESM)	2.8		2.8
ESM stability support programme	July 2017	European Stability Mechanism (ESM)	7.7		7.7
ESM stability support programme	October 2017	European Stability Mechanism (ESM)	0.8		0.8
ESM stability support programme	March 2018	European Stability Mechanism (ESM)	5.7		5.7
ESM stability support programme	June 2018	European Stability Mechanism (ESM)	1		1
Total - ESM stability support programme			46.9		46.9
Total (June 2018)			241.6	32.1	273.7

*€10.9 billion of the amounts transferred from the EFSF and €2 billion from the ESM, in both cases for bank recapitalisations, were subsequently repaid by Greece. Furthermore, Greece has already reimbursed around two thirds of the €32.1 billion disbursed by the IMF.

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TIMELINE OF EVENTS

19 October 2009 — Minister of Finance of Greece informs the Eurogroup that the 2009 deficit could reach 12.5% of gross domestic product.

2 May 2010 — Eurogroup agrees, following a request from the Greek authorities, to provide bilateral loans through the Greek Loan Facility of up to €80 billion to help Greece meet its financing needs. The financial assistance is part of a joint package with the IMF committing an additional €30 billion.

26 October 2011 — Euro area leaders reach agreement whereby private investors holding Greek debt are invited to develop a voluntary bond exchange with a nominal discount of 50% at a Euro Summit meeting.

31 October 2011 — Prime Minister George Papandreou proposes referendum on new financial assistance programme. The proposed referendum is later cancelled.

11 November 2011 — Lucas Papademos is sworn in as Prime Minister of Greece following the resignation of George Papandreou.

14 March 2012 — Eurogroup agrees, following a request from the Greek authorities, that the European Financial Stability Facility will provide an additional €130 billion to help Greece meet its financing needs. IMF committed to contribute an additional €19.8 billion.

17 May 2012 — Panagiotis Pikrammenos is sworn in as Prime Minister of Greece's caretaker government until the upcoming elections.

12 June 2012 — Antonis Samaras is sworn in as Prime Minister of Greece following legislative elections.

1 November 2014 — The Juncker Commission takes office.

26 January 2015 — Alexis Tsipras is sworn in as Prime Minister of Greece following legislative elections.

24 February 2015 — Eurogroup agrees to extend the existing European Financial Stability Facility programme by up to four months, pending national procedures, upon a request from the Greek authorities.

28 June 2015 — Prime Minister Tsipras announces that capital controls will be imposed in Greece with cash withdrawals limited to €60 a day.

30 June 2015 — European Financial Stability Facility programme for Greece expires.

5 July 2015	Greece holds a referendum on whether to proceed on the basis of reform proposals considered by the Eurogroup. 61% of voters vote against.
8 July 2015	Greek authorities request a European Stability Mechanism stability support programme.
12/13 July 2015	Euro area leaders reach an agreement in principle for a new stability support programme for Greece at a Euro Summit meeting.
15 July 2015	Juncker Commission launches a plan for a "New Start for Jobs and Growth in Greece" to help the country maximise its use of EU funds with the aim of mobilising more than €35 billion up to 2020.
17 July 2015	Council of the EU grants Greece short-term financial assistance ('bridge financing'), using up to €7.16 billion under the European Financial Stability Mechanism.
20 August 2015	Commission signs Memorandum of Understanding, on behalf of the European Stability Mechanism, with Greece for a new stability support programme and publishes assessment of the programme's social impact. First programme disbursement is approved.
23 September 2015	Alexis Tsipras is sworn in as Prime Minister of Greece following legislative elections.
October and December 2015	First and second set of milestones (reform commitments) completed, allowing further disbursements under the stability support programme.
24 May 2016	Eurogroup welcomes the implementation of prior actions needed to complete the first review and agrees on a set of short, medium and long-term measures to ensure the sustainability of Greece's public debt.
16 June 2016	First review of the stability support programme is concluded following completion of all relevant prior action.
7 July 2017	Second review of the stability support programme is concluded following completion of all relevant prior actions.
12 July 2017	Commission recommends closing Excessive Deficit Procedure for Greece. The Council later follows this recommendation.
20 July 2017	IMF Executive Board approves in principle a new stand-by Arrangement for Greece.
20 August 2018	European Stability Mechanism stability support programme for Greece concludes.

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STRUCTURAL REFORMS IN GREECE

PILLAR I: RESTORING THE SUSTAINABILITY OF PUBLIC FINANCES

- **Fiscal framework:** improving fairness and efficiency in the taxation system
- **Social welfare:** comprehensive pension reform, universal primary health care, Social Solidarity Income, family benefits

Greece's debt crisis was largely driven by the fragility and lack of sustainability of its public finances. The deficit reached a peak of 15.1% of GDP in 2009 and the 10-year bond yield peaked at 36% in early 2012. While further steps are needed to reduce public debt, Greece now runs a budget surplus (0.8% in 2017) thanks to substantial efforts in fiscal consolidation. This is largely due to reforms that have restored the sound management of public finances, while enhancing fairness, efficiency and the sustainability of the welfare system.

TAXATION SYSTEM

- **Personal income tax has been revised to make the system more progressive and combat tax evasion.** The tax base has been broadened, ensuring that more people contribute to the public finances. The tax-free threshold has been reduced by up to 10%, while taking into account family composition and the fall in wages and pensions since 2012.
- **Real estate property tax (ENFIA) has become fairer.** The authorities have adjusted property band widths, widening the tax base to non-urban land and are now in the process of aligning property values with market prices.
- **Bands and rates have been streamlined in the VAT system.** This reduces the scope for VAT fraud and makes the system cheaper to administer..

PENSION SYSTEM

- **In the past, Greece had an unsustainable pensions system.** Pensions were excessively high, relative to contributions being paid in: retirement entitlements were fragmented, and there were too many routes to early retirement. Pension spending was 16.2% of GDP in 2013 compared to the EU average of 11.3%. This was coupled with one of the lowest retirement ages in the EU (60 years for women, 65 for men). The system now is on a much more sustainable footing, and is fairer as the same entitlements and benefits apply to all groups in society.
- **Since 1 January 2013, the retirement age has been raised to 67 years for both men and women, in line with European best practices.** Early retirement is now normally only feasible from 62 years. By reducing spending on pensions as a share of GDP, more resources are available for other social benefits targeting to those most at risk of poverty, particularly for the young, unemployed and families.
- **The authorities have merged the multiple pension funds** in order to unify the rules for the calculation of pension entitlements across different professions.

HEALTHCARE SYSTEM

- **A primary healthcare network has now been developed and all Greek citizens are entitled to universal healthcare coverage.** Previously, the coverage available to the unemployed for healthcare benefits offered by the social security funds – notably pharmaceuticals, diagnostic tests and inpatient care – was uneven and largely temporary in the case of some professions.
- **To improve the functioning and efficiency of the healthcare system, the authorities now perform regular revisions of prices for pharmaceuticals and the use of generic medicines. E-prescriptions have also been introduced** and the criteria for the disbursement of medicines better aligned with medical needs.
- **To better control expenditure in the healthcare system, including hospitals, an upper limit on spending on pharmaceuticals and diagnostics has been set up.** This limits any excess of spending above the legislated limit. The generalisation of e-prescriptions and use of generic medicines have reduced significantly public spending on pharmaceuticals that had exploded before the crisis.

SOCIAL WELFARE AND BENEFIT SYSTEM

- **To provide an effective safety net for households at risk of poverty, a new Social Solidarity Income has been rolled out nationwide as of February 2017.** This is the first time a basic universal social safety net has existed in Greece. The programme provides income support to the poorest households. The number of approved applications has stabilised at around 290,000, corresponding to about 600,000 individuals, for an annual projected expenditure of about €750 million. One year since its introduction, it has benefitted 5.8% of the Greek population. With respect to labour market reintegration, all adult beneficiaries able to work are now required to register as job-seekers. The public employment service treats beneficiaries as a priority group, and will gradually offer personalised services and targeted support.
- **The administration's capacity to manage the various welfare programmes has been strengthened with the cooperation of all stakeholders.** A new benefits agency (OPEKA) has been established, becoming the single authority responsible for payment of all welfare benefits. To create transparency and confidence, a network of Community Centres was set up throughout the country. Single registries of all social services and service providers have been created.
- **Child benefits have been revised to better target families in need and grant them better support.** Schemes for providing school meals and nursery/pre-school education have been designed to assist children from vulnerable households in their basic needs.
- **Other welfare benefits are under review** so as to ensure subsidies granted for disability, housing and transport reach those who are in real need.

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STRUCTURAL REFORMS IN GREECE

PILLAR II: SAFEGUARDING FINANCIAL SUSTAINABILITY

- **Bank governance:** strengthening and aligning with international best practice
- **Non-performing loans** (NPLs) reduction and legal framework on insolvency

Between 2010 and 2012, and again in 2014-2015, the Greek banking sector faced dramatic liquidity crises: due to serious political and economic uncertainty, the Greek people withdrew large amounts from their bank deposits, the banking sector lost access to capital, and money markets and capital controls were imposed in July 2015. All of these events threatened the financial stability of the country and the economic prospects of the Greek people.

In response to such developments, the Greek authorities have committed to reform the country's financial sector and make it more resilient to shocks. Here are some of the most important measures and reforms adopted.

BANK GOVERNANCE

- **The governance of the Hellenic Financial Sustainability Fund has been enhanced to ensure independence from political interference.** New selection processes and annual performance evaluations have been introduced.
- **The governance of the four Greek systemic banks (90% of total market share) has been strengthened and brought in line with international best practice.** The boards now include independent experts to avoid conflicts of interest and bring long-term experience in banking and NPLs management.

These changes have enhanced the credibility and the functioning of the Greek banking sector.

NPLs REDUCTION AND LEGAL FRAMEWORK ON INSOLVENCY

- **The structure of household and corporate insolvency legislation has been reviewed**, to set the right legal incentives and develop a stronger payment culture.
- **An out-of-court workout framework and a mechanism for the servicing and/or transfer of non-performing loans have been established** to help address NPLs and mitigate their development in the future.
- **A mechanism for the electronic conduct of auctions in liquidation proceedings has been set up,** allowing the liquidation of NPLs-related collateral to resume.

NPLs are slowly decreasing and official data shows that banks have managed to reach their NPLs reduction targets. However, the stock of NPLs in Greek banks is still significant, at 43.1% in Q4 2017, whilst the euro area average is approximately 5%. This large stock of NPLs is partly a result of the crisis and its reduction should enhance the viability of the banking sector.

Greek banks are now concentrated on the Greek market and have as their key mission to reduce NPLs, which will benefit the Greek credit market and increase liquidity, allowing banks to lend more and support investment and the real economy. Implementation of these measures should help achieve these objectives.

As a result of these reform efforts, Greek banks have been successfully recapitalised, bringing capital buffers to adequate levels and stabilising deposits, and €5.4 billion have been disbursed for bank recapitalisation.

In addition, the improved liquidity situation of banks in Greece allowed the authorities to make further steps towards the liberalisation of capital controls in line with the roadmap published by the authorities on 15 May 2017. The monthly limit of cash withdrawals was increased to €5,000 (from the previous €2,300) as of 1 June 2018 and travellers can now transfer €3,000 of cash abroad (from €2,300) per travel in domestic or foreign currency. Equally, the daily limit for companies that make fund transfers abroad in the context of their business operations increases to €40,000 per customer (from €20,000). As of 1 July 2018 banking customers will be allowed to transfer €4,000 (from €2,000) every two months to accounts abroad.

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STRUCTURAL REFORMS IN GREECE

PILLAR III: STRUCTURAL POLICIES TO ENHANCE GROWTH, COMPETITIVENESS AND INVESTMENT

- **Labour market:** flexibility and fairness contributing to falling unemployment
- **Business environment:** encouraging job creation and investment and export-led growth
- **Privatisation:** enhancing the value and management of State assets
- **Energy market:** providing better and better priced services

LABOUR MARKET REFORM

The aim of the ESM programme has been to improve the balance between flexibility and fairness, safeguarding the progress already made. Reforms in the area of collective bargaining include changes to the framework for setting minimum wages and to the employment protection legislation. These difficult reforms have introduced greater flexibility and contributed to improving the resilience of the Greek labour market, reducing employment deterioration and helping the country regain cost competitiveness. Important reforms include:

- **An improved system of collective bargaining by modernising relations between the social partners.** Minimum wages will henceforth be set by the government after consulting social partners and key stakeholders which is in line with best practices.
- **Actions taken to tackle undeclared work and precarious work**, with contributions from the ILO: strengthening of the Labour Inspectorate, automatic exchange of information within the labour administration, introduction of protective measures against unpaid work and correction of inadequacies which left space for delinquencies. Implementation of these actions is bearing fruit: undeclared work has fallen from 30% in 2013 to almost 12% in 2017.

BUSINESS ENVIRONMENT: ENCOURAGING JOB CREATION AND INVESTMENT

The Greek economy has a relatively small tradable sector (as a share of GDP), and does very poorly in attracting foreign direct investment. This reduces the scope for an export-led recovery. Although increasing the size of the tradable sector and becoming a more attractive destination for investment will need reforms and time, these are essential for achieving a sustainable recovery.

Key reforms of product markets and regulated professions include:

- **Reducing unecessary barriers and impediments**
  - ✓ Since August 2015, many barriers to competition have been removed in sectors including retail trade, food and processing, beverages and petroleum products. Additional measures are ongoing to open wholesale trade, construction, e-commerce, media, pharmaceuticals, chemicals and wholesale trade.
  - ✓ Ongoing moderinisation since 2013 has already opened sectors accounting for around 45% of Greece's value added, which will help attract and retain investment, further developing these sectors and creating new jobs. This process has and will continue to a positive effect on the Greek economy by expanding business activity in key sectors, enabling new entries, and thus more choice and innovation and lower prices for consumers.
- **Investing licensing reform and removing unnecessary restrictions in regulated professions**
  - ✓ A 2015 comprehensive reform to simplify investment licensing procedures, moving from a system of uncertain

requirements with ex-ante approvals to a leaner system based on notification, followed by risk-based ex-post inspections.

- ✓ Various sectors were reformed in 2017, including all manufacturing, shops, cafés, restaurants, tourism, logistics, mining and quarrying. Remaining sectors with unjustified investment licensing restrictions are under review. These reforms reduce the administrative burden, make it easier to open and conduct businesses in these sectors, thus contributing to their expansion and job creation.

- **Lifting of restrictions in key regulated professions** such as health care providers, private schools and vocational training, and public works engineers. The legal framework for private clinics and one-day clinics is currently under modernisation. This will allow more citizens and businesses to access these professions, facilitating greater choice in providers, adjusting prices to real market conditions, and making it easier and less cumbersome for Greek citizens to access essential services.

MAXIMISING RETURNS OF VALUABLE STATE ASSETS

A new independent privatisation and investment fund (Hellenic Corporation of Assets and Participations S.A. - HCAP) has been established to manage valuable Greek assets and to maximise their value. Another objective is to depoliticise state-owned companies, improve their management, and therefore enhance their value and contribution to the Greek economy.

Privatisations are already attracting investment, boosting growth and helping the Greek economy to reduce its debt. They include those of Pireaus port, 14 regional airports, State Lottery Tickets, the International Broadcasting Center, betting company OPA, train company TRAINOSE, telecommunications company OTE and real state properties. Privatisation proceeds since the beginning of the ESM programme have amounted to €2.9 billion and are expected to rise in the coming years. Privatisation linked investments in Greece constitute some of the largest in Europe and will generate thousands of jobs.

OPENING UP ENERGY MARKET TO ATTRACT INVESTMENT AND LOWER PRICES

Greece's energy markets are undergoing wide-ranging reforms in order to become more modern, efficient and competitive, while allowing for the reduction of monopolies. The reforms have aimed at enabling greater competition, eliminating distortions and attracting investment, while ultimately benefiting all consumers.

- **Electricity market:** reducing the dominance of the Public Power Corporation (PPC) and implementing the target model together with regulatory reforms, should enable to fully integrate the electricity market, while providing efficient prices and strengthening energy security.

- **Gas market:** thanks to the ongoing liberalisation process, since January 2018, customers are for the first time fully able to choose among different providers. The gas release programme, the unbundling of distribution from supply, and the privatisation of 66% of the gas transmission operator (DESFA) are improving competition.

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STRUCTURAL REFORMS IN GREECE

PILLAR IV: THE FUNCTIONING OF GREECE'S PUBLIC SECTOR

- **Public administration:** more efficient, transparent and merit-based
- **Justice:** faster, digital and more effective
- **Land use:** a new land registry or «cadastre»
- **Tax collection:** digitalisation, electronic payments and fight against tax fraud

The economic crisis highlighted severe inefficiencies in the Greek public administration and has added to already existing backlogs in the justice system. A key pillar of the ESM stability support programme has therefore been the modernisation of the public sector, which is paramount to ensure high quality provision of public goods and services. Reform has been backed up with technical assistance from the Commission's Structural Reform Support Service (SRSS).

Key reforms have aimed at aligning the size of the public sector with that of other EU Member States, unifying wage levels for public officials, establishing transparent and merit-based recruitment procedures, introducing mobility and performance assessments, making the judicial system more efficient, and strengthening independent authorities for the collection of taxes and statistics and the management of public sector entities.

PUBLIC ADMINISTRATION

Between 2009 and 2016, Greece reduced the size of its public sector by 26% and its wage bill by 39%, bringing the size of Greece's public administration in terms of GDP into line with the euro area average. Greece's wage bill went down to 8.3% in comparison with the euro area average of 7.9% in 2016.

Following this rescaling, the ESM programme has focused on key reforms to improve the quality of the public administration, by making it more merit-based and by de-politicising it. These include:

- Adjustments to the unified wage grid and to the special wage grid.
- Introduction of a modern and transparent mobility scheme across the administration based on job descriptions and organigrams.
- Annual performance assessments for all public officials.
- Ongoing competitive selection of senior management for the entire public administration.
- Strengthening of independent entities (including the Hellenic Statistical Authority, the Hellenic Competition Commission and the Regulatory Authority for Energy).

Thanks to the contribution of the SRSS, a "Manual on Inter-Ministerial Coordination" was also adopted in April 2018, which aims to improve overall coordination of the central Government.

JUDICIAL SYSTEM

A series of reforms in the judicial system aim to make it more efficient, faster and technologically up-to-date. This will benefit the Greek people and facilitate investments and growth. Key reforms include:

- A reform of the Code of Civil Procedure, which speeded up the justice system inter alia by generalising the use of written (as opposed to oral) procedures, improved enforcement including through streamlined liquidation procedures and established an online portal for electronic auctions.
- A plan to improve the efficiency of the justice system, which includes:
  - ✓ Computerisation and digitalisation: system to collect information on the situation of the courts, electronic filling of documents, issuance of certificates, electronic dockets, video conference hearings.
  - ✓ Developing alternative means for dispute resolution, particularly mediation.
  - ✓ Rationalising the cost of litigation.
  - ✓ Improving court functioning and management.

LAND USE AND LAND REGISTRY "CADASTRE"

The modernisation of land registration and the completion of the land registry "cadastre" project will provide legal certainty to property owners across Greece, facilitate the collection of property taxes and encourage major investments in areas such as tourism and industry. The new cadastral system aims to replace the existing paper-based system of registrations and mortgages. While there is still a long way to go before completion (expected in 2021), the new "cadastre" already covers 29% of the real property rights of Greece. This corresponds to about 10,300 km2 (8%) covering 10,344,000 real property rights. Currently, there are 44 contracts under execution covering an area of 36,500 km2 (27.6%) and 10,350,000 rights. Around 80% of the currently covered property rights are in urban areas and 20% in rural areas.

TAX COLLECTION AND COMPLIANCE

Tax collection in Greece was traditionally hampered by complex legislation, poor administration, political interference and generous amnesties, with chronically weak enforcement. To break from this practice, the ESM programme included measures to strengthen the revenue administration and improve the tax and social security payment culture:

- Transformation of the semi-autonomous public revenue administration into the fully autonomous Independent Authority for Public Revenue (IAPR).
- Legislation to promote the use of electronic payments and credit/debit cards, which has contributed to limiting tax fraud.
- A more proactive approach towards the collection of outstanding tax debt.
- Improving co-operation between the justice and tax administrations.
- Enhancing customs efficiency and the fight against smuggling.

The creation of the IAPR has already improved the lives of Greek people: thanks to a new functional internal dispute resolution system, taxpayers who want to dispute a tax assessment no longer need to go through costly and time-consuming court procedures but can have claims dealt with directly by the IAPR's dispute resolution unit. Strengthening the IAPR and maintaining its independence is essential for achieving a modern tax administration.