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### **COMMUNICATION FROM THE COMMISSION**

**Assessment of action taken by Greece in response to the Council Decision 2011/734/EU of 12 July 2011 addressed to Greece, as amended by Council Decision 2013/6/EU of 4 December 2012, with a view to reinforcing and deepening fiscal surveillance and giving notice to Greece to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit - (May 2013)**

## 1. INTRODUCTION

This Communication assesses the measures implemented by Greece to comply with the Council Decision 2011/734/EU, as last amended by Council Decision 2013/6/EU of 4 December 2012<sup>1</sup>. Together with the Commission services' Compliance Report, prepared in liaison with the ECB<sup>2</sup>, the Communication contributes to the assessment of compliance with the Memorandum of Understanding (MoU)<sup>3</sup> 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' Spring Forecast 2013 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 4 DECEMBER 2012

On 4 December 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 2016. This Decision itself amended the July 2011 Decision<sup>4</sup>, which had been recast to consolidate several consecutive amendments of Decision 2010/320/EU of 10 May 2010. The decision required Greece to make an improvement of at least 10 percentage points of GDP over the period 2009-14.

The December 2012 amendment of the Council Decision required Greece to put an end to the present excessive deficit situation as rapidly as possible and at the latest by a deadline of 2016. Greece was recommended to achieve a general government primary deficit not exceeding 1.5% in 2012 and general government primary surpluses of at least 0% of GDP in 2013, 1.5% of GDP in 2014, 3.0% of GDP in 2015, and 4.5% of GDP in 2016. These targets were seen as implying an overall ESA-government deficit of 6.9 % of GDP in 2012, 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.

In cyclical-adjusted terms, the primary balance targets were estimated to translate into 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. The cyclically-adjusted government balance to GDP ratio was estimated at -1.3 % in 2012, +0.7 % in 2013 and +0.4 % in 2014.

In computing these targets and the associated required fiscal adjustment, the Decision excludes from ESA-definitions all proceeds from the privatisation of financial and non-financial assets, transactions relating to bank recapitalisations, all transfers related to the Eurogroup statement of 21 February 2012 with regard to income of euro zone national central banks, including the Bank of Greece, stemming from their investment portfolio holdings of Greek Government bonds, and any payments from loss-making banks beyond those which would accrue from the ELA guarantee fee structure existing on 30 September 2012. The same definition is also used in the context of the Greek Economic Adjustment Programme.

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<sup>1</sup> OJ L 4, 9.1.2013, p. 40-45.

<sup>2</sup> 'The Economic Adjustment Programme for Greece – May 2013,' *European Economy–Occasional Paper* (forthcoming). The reader is referred to that document for a more detailed assessment of macroeconomic, financial, fiscal and structural reform developments.

<sup>3</sup> Memorandum of Economic and Financial Policies, and Memorandum of Understanding of Specific Economic Policy Conditionality of December 2012.

<sup>4</sup> Council Decision 2011/734/EU (recast) (OJ L 296, 15.11.2011, p. 38-52).

Taking into account the impact of debt-reducing measures implemented in December 2012, the targets were considered consistent with a general government consolidated debt ratio to GDP of below 160% in 2016.

### 3. ASSESSMENT OF EFFECTIVE ACTION TAKEN

This assessment is based on the Commission services' Spring Forecast 2013 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 (see Table 1). It takes account of economic and budgetary conditions since 4 December 2012, when the last Council Decision was issued.

**Table 1: Comparison of key macroeconomic and budgetary projections<sup>5</sup>**

*(Current projections versus Council Decision 2013/6/EU)*

% of GDP, except if noted otherwise		2012	2013	2014
<b>Real GDP growth (% change)</b>	Council Decision	-6,0	-4,2	0,6
	<i>Current projection</i>	-6,4	-4,2	0,6
<b>General government balance</b>	Council Decision	-6,6	-4,6	-3,5
	<i>Current projection</i>	-6,3	-4,1	-3,3
<b>Primary balance</b>	Council Decision	-1,5	0,0	1,5
	<i>Current projection</i>	-1,3	0,0	1,5
<b>Cyclically-adjusted primary balance</b>	Council Decision	4,1	6,2	6,4
	<i>Current projection</i>	4,5	6,2	6,3
<b>Cyclically-adjusted balance</b>	Council Decision	-1,3	0,7	0,4
	<i>Current projection</i>	-0,5	2,1	1,6

*Source: Commission services, Spring Forecast 2013*

**For the very first time since the inception of the adjustment programme for Greece, the economic outlook is largely unchanged from that referenced in the Council Decision of December 2012.** The forecast maintains a gradual return to GDP growth in 2014. Poorer than expected GDP data for the last quarter of 2012 led to an annual GDP decline of 6.4% in 2012 compared to 6.0% the time of the Council Decision, implying a somewhat higher negative carry-over into 2013. However, leading conjunctural and financial market indicators have shown an improvement in confidence about the recovery prospects of Greece. By end-April, the European Commission Economic Sentiment Indicator (ESI) for Greece has risen to a level suggesting brightening growth prospects. Bank deposits have also returned to the Greek banking system following the second disbursement under the programme in December 2012. Timely action was taken to ring-fence subsidiaries of Cypriot banks from the restructuring of the Cypriot banking system. Nevertheless, hard indicators currently continue to provide negative signals, with industrial production, retail sales and construction output continuing to contract. Given the strong negative carry-over from 2012 and still falling domestic demand, a GDP contraction of 4.2% continues to be expected in 2013. A moderate recovery led by investment and exports is projected for the beginning of 2014, leading to annual GDP growth of 0.6% in 2014.

<sup>5</sup> Fiscal balances are based on Council Decision definitions (not ESA95 definitions).

**Despite a somewhat deeper recession in 2012 than expected at the time of the Council Decision, fiscal developments outperformed the EDP target for the primary deficit by a small margin in 2012.** The headline primary deficit was 5.0% of GDP. However, the estimated net costs associated with the recapitalisation and resolution of banks in 2012 are 4.0% of GDP. Excluding these costs and other factors specified in the programme definition, the primary balance for EDP purposes was thus -1.3% of GDP, slightly better than the target in the Council Decision of 1.5% of GDP. Making similar adjustments to the headline deficit of 10.0% of GDP, gives an overall fiscal deficit consistent with the Council Decision definition of 6.3% of GDP. This is considerably better than 6.9% of GDP included in the Council Decision, owing in part to lower interest payments stemming from the debt reducing measures implemented in December 2012. Turning to the details of the outturn, on the revenue side, direct taxes held up quite well, partly compensating for weak indirect tax collection, notably VAT, and social security contributions. On the spending side, the authorities curtailed discretionary expenditures, notably operational expenditures and public investment in view of the tight liquidity situation for the government resulting from delays in programme disbursement. Interest payments were lower owing to the Private-sector involvement (PSI) initiative and December debt-buy back and implementation of debt-reducing measures.

**Overall, therefore, the 2012 fiscal outturn out-performed the targets in the Council Decision.** This is confirmed by an assessment of the cyclically-adjusted fiscal balances. Netting out cyclical factors, the cyclically-adjusted primary balance on the Council Decision definition was 4.5% of GDP in 2012, some 0.4 percentage points of GDP better than the 4.1% structural surplus in the Council Decision. The cyclically-adjusted budget deficit was -0.5% of GDP in 2012 compared to the -1.3% of GDP in the Council Decision. In comparison with 2011, the cyclically-adjusted primary balance improved by 2.3 percentage points of GDP in 2012, whilst the improvement in the cyclically-adjusted balance was 4.5 percentage points, this latter larger figure reflecting the impact of the Private-sector involvement (PSI) initiative on debt interest payments.

**Effective measures have been taken to reach the targets for the primary deficit in 2013 and 2014.** The Greek budget adopted on 11 November 2012 included a package of additional revenue and expenditure measures of EUR 9.2 billion, some 5% of GDP, with the aim to reduce the primary deficit in 2013. This was in the context of a EUR 13.5 billion consolidation programme for 2013 and 2014, set out in the Medium-Term Fiscal Strategy 2013-2016. This very large and highly front-loaded package of fiscal consolidation measures for 2013 and 2014 (totaling over 6.5% of GDP) has been largely already implemented.

**Whilst the macroeconomic scenario projected during the last review remained substantially unchanged, some revenues shortfalls have emerged and a few measures have not been implemented.** Revenue shortfalls arose mainly in social security contribution collection and from lower than expected receipts from the equalisation in the tax rates on diesel oil. The fall in social security contribution collection is attributable to a large extent to the expectation of the future debt instalments and tight liquidity conditions. The weaker revenue from the taxes on fuel is explained largely by lower-than-anticipated consumption of fuel. In addition, the upwards revision of the tax refunds in light of the newly discovered stock of the unaudited tax refund claims in 2012 also contributed to the net revenue shortfall. Shortcomings have occurred in the implementation of the progressive pensions cuts owing to technical reasons; the new wage grid has not been put in place for parliamentary staff and in some SOEs; and the levy on ship owners fell short of the envisaged amount. Taken together, these implementation shortfalls, if not addressed, would have resulted in the budget gap of

EUR 137 million in 2013 and of EUR 166 million in 2014. The government subsequently expressed the intention to proceed towards full implementation of these measures. Furthermore, some measures which were scheduled to come into force in 2013 and 2014 that had been agreed in the context of the previous MTFS 2011-14 were not implemented. These include the increase in social security contributions from the self-employed and an increase in public transportation ticket prices. Given the significant yield of these measures, their non-implementation would have created a sizeable fiscal gap of about EUR 270 million in 2013 and more than EUR 700 million in 2014. Finally, the authorities envisaged a significant reduction in the tax rates on the property tax paid through electricity bills.

**The Greek authorities however have committed to implement offsetting measures to avoid the emergence of a fiscal gap in 2013 and 2014.** The Government decided to offset the non-implementation of previously agreed measures with the new measures to be adopted in the same sectors in order to minimise the operational risks. The non-implementation of the solidarity contribution for self-employed scheduled for 2013 has been replaced by a tightening of pension requirements for uninsured individuals and through audits of pension entitlements. The required savings related to the non-implementation of the increase in public transportation ticket prices is going to be substituted by reducing transfers to entities outside the General Government and through the rationalisation of public services. Concerning property taxes, the government will secure the projected revenue of EUR 1.9 billion from the property tax collected via the electricity bill, compensating the envisaged reduction of the rate by 15% with a broadening of the tax base. For 2014, the Government has committed to fully implement the solidarity contribution for self-employed. Additionally, the new real estate tax, which is expected to succeed the PPC levy, is supposed to be budget-neutral ensuring the annual revenue already envisaged in the MTFS. Several one-off factors also play a role in closing the budget gap. First, transfers of income from the Bank of Greece to the state are expected to be extraordinarily high on account of exceptional profits. Second, the newly devised settlement schemes are expected to facilitate the repayment of recently accumulated debt and recover some portion of lost revenues for the state. Finally, savings have also been made on the heating oil subsidies, where budget appropriations were found to be too high.

**Overall, the targets of the Council Decision are expected to be met in both 2013 and 2014.** The forecasts for the primary balance are 0.0% of GDP in 2013 and +1.5% of GDP in 2014 in line with the targets set out in the Council Decision. The headline primary deficit is likely to be higher in 2013 as a result of the further bank recapitalisation and resolutions operations. Their exact recording in the fiscal accounts depends on the timing and nature of these transactions. The budget deficit is expected to be 4.1% of GDP in 2013 and 3.3% of GDP in 2014, in both years performing somewhat better than the figures set out in the Council Decision. In cyclically-adjusted terms, the primary balance is expected to improve to 6.2% of GDP in 2013 and 6.3% of GDP in 2014<sup>6</sup>. The cyclically-adjusted figures are almost exactly in line with the Council Decision, whilst the cyclically-adjusted general government balance is expected to be somewhat higher than in the Council Decision.

**The fiscal outlook beyond 2014 remains inherently uncertain.** The fiscal outlook depends to a large extent on the strength of the economic recovery and progress in strengthening the tax and social security revenue administrations. Within the current macroeconomic framework, additional measures of 1.8% of GDP in 2015 and 2.2% of GDP in 2016 would be

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<sup>6</sup> The Council Decision adjusts for the costs of bank resolution. Other expenditure and revenue one-offs reduce the nominal deficit in cumulative terms by EUR 1.5 billion in 2012 (about 0.7% of GDP), EUR 1 billion in 2013 (0.5% of GDP) and about EUR 400 million in 2014 (0.2% of GDP).

required to meet the primary balance targets of the Council Decision. Fulfilling the primary deficit targets however would bring the estimated government deficit to less than 3% of GDP. Discussions on fiscal gaps and measures to fill them in 2015-16 will be taken up in the context of the 2014 budget negotiations in the autumn. At that time, new macroeconomic data will provide more complete information on the precise size of any remaining gap.

**The outlook for sovereign debt sustainability remains broadly unchanged compared to December 2012.** There have been no major changes in the macroeconomic scenario, while public finances remain on track to reach the targets. As regards the profile for privatisation proceeds, only marginal timing revisions have been deemed necessary. The debt-to-GDP ratio is therefore still forecast to be on a declining path starting in 2014 and to fall below 160% in 2016, assuming that the economic adjustment programme continues to be implemented.

**The specific fiscal and structural fiscal requirements for December 2012 and March 2013 in the Council Decision have all been delivered with some minor exceptions** (see Annex table). A major income tax reform has been carried out that broadens the tax base and will share more equally the tax burden. A Secretary-General of Public Revenues has been appointed and the autonomy of the tax administration has been enhanced. After some delay, the authorities have started to undertake key steps of a major reform of public administration, including completing staffing plans for all line ministries. On-going reform processes are well underway to deliver the other outstanding commitments, e.g. on increasing the share of generic medicines sold by pharmacies and improving the internal control of all hospitals. These will be monitored closely by Commission services.

#### **4. CONCLUSION**

Greece has taken effective action to remedy the situation of excessive deficit in compliance with Council Decision 2011/734/EU, as last amended by Council Decision 2013/6/EU of 4 December 2012. 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 recommended by the Council. Greece is estimated to have improved its structural deficit by 13.5 percentage points of GDP from a 14.8% deficit in 2009 to an estimated 1.3% deficit in 2012. The general government deficit is projected to have improved from 15.6% in 2009 to 6.3% of GDP in 2012.

Greece has successfully taken measures to contain the deficit in 2012 and the outturn in the primary deficit outperformed the target in the Council Decision. In order to put an end to the present excessive deficit situation as rapidly as possible in line with the Council Decision, the Greek authorities have also taken further decisive steps to consolidate their public finances in 2013 and 2014. The Greek budget adopted on 11 November 2012 included a package of additional revenue and expenditure measures of EUR 9.2 billion, some 5% of GDP, with the aim to reduce the primary deficit in 2013. This was in the context of a EUR 13.5 billion consolidation programme for 2013 and 2014, set out in the Medium-Term Fiscal Strategy 2013-2016. This very large and highly front-loaded package of fiscal consolidation measures for 2013 and 2014 (totalling over 6.5% of GDP) has been largely already implemented.

In the light of the above considerations, the Commission does not propose any amendment to the Council Decision taken in December 2012. The targets for the general government primary surpluses should remain at least 0% of GDP in 2013, 1.5% of GDP in 2014, 3.0% of GDP in 2015, and 4.5% of GDP in 2016. This fiscal path continues to imply 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. Current projections for the government

balance show that these targets imply deficits of 4.1% of GDP in 2013 and 3.3% of GDP in 2014 and cyclically-adjusted surpluses of 2.1% of GDP in 2013 and 1.6% of GDP in 2014.

Despite the progress in the budgetary area and with reforms in other key sectors of the economy, there are important risks that may affect the budgetary outcomes. The recovery of the economy is still facing the headwinds of the pronounced fiscal consolidation in 2013 and weak economic growth in the euro area. In addition, reforms in key areas such as the revenue administration and the public administration may face resistance from vested interests. To deliver the projected recovery in GDP growth and resulting revenues in 2014, further progress is also needed on product and services market reforms. On the other hand, upside risks also exist, particularly if sustained strong policy implementation reduces uncertainty and supports confidence and help contain the impact of the recession on the society and unemployment. Investment conditions could also improve, following the recapitalisation of the banks, through inflows of foreign capital and a stronger absorption of the EU funds.

**ANNEX : Measures required by Council Decision 2011/734/EU, as amended by Council Decision 2013/6/EU of 4 December 2012**

<p><b>(2) in Article 2, the following paragraph is inserted:</b></p> <p>Article 10a. Greece shall have adopted the following measures by 4 December 2012:</p> <p>(a) the budget for 2013 and the MTFS through 2016, as well as the measures as described in Annex IA to this Decision and the respective implementing legislation. The MTFS shall elaborate on the permanent fiscal consolidation measures which ensure that the deficit ceilings for 2012-2016, as established by this Decision, are not exceeded and that the debt-to-GDP ratio is put on a sustainable downward path;</p>	<p><b>OBSERVED.</b> Adopted, omnibus Law 4093 (Official Journal 222/A/12.11.2012)</p>
<p>(b) the presentation of an updated Privatisation Plan to the Greek Parliament and the publication of a semi-annual update of the Asset Development Plan;</p>	<p><b>OBSERVED.</b> Uploaded on Ministry website</p>
<p>(c) the transfer to the portfolio of privatisation assets of the HRADF of the full and direct ownership (shares or concession rights) of Egnatia Motorway and the regional ports of Elefsina, Lavrio, Igoumenitsa, Alexandroupolis, Volos, Kavala, Corfu, Patras, Heraklion, and Rafina;</p>	<p><b>OBSERVED.</b> Done for Egnatia (Ref: B2316/10-8-2012). Ports (decision 222/5.11.2012./FEK 2996, 12 November</p>
<p>(d) ensuring the line Ministries and other relevant entities provide the General Secretariat for Public Property with full access to the inventory of all real estate assets owned by the State;</p>	<p><b>OBSERVED.</b> The appropriate letter has been sent to the line ministries. Line Ministries have provided the requested information.</p>
<p>(e) the amendment and/or the repeal of statutory provisions of State-owned enterprises (PPC, OLP and OLTH port authorities, HELPE, EYATH and EYDAP, ports, etc.) that diverge from private company law regarding any restrictions on voting rights of private shareholders;</p>	<p><b>OBSERVED.</b> Amended in the new Privatisation Law (Article 2)</p>
<p>(f) legislation to define the role and qualifications of the Secretary-General of the Tax Administration and for the Minister of Finance to delegate decision-making powers to the Secretary-General of the Tax Administration;</p>	<p><b>OBSERVED.</b> (Omnibus) Law 4093 (Official Journal 222/A/12.11.2012, Section E, Article 6</p>
<p>(g) the deployment of experienced tax auditors towards activities serving the immediate revenue imperatives, by strengthening and making fully operational key enforcement areas such as the large taxpayer unit by transferring 100 auditors from other duties, and by establishing a single functional unit for high-wealth individuals and high-income self-employed persons and staffing this unit with 50 experienced tax auditors directly accountable to the Secretary-General of the Tax Administration;</p>	<p><b>OBSERVED.</b> Four ministerial decisions (MD) produced : - MD 31/10/2012 to transfer 100 auditors to Large taxpayers Unit, - MD 31/10/2012 to give competence to DEK Athens for High Wealth Individuals (with criteria in the MD), - MD to transfer of 50 auditors to DEK Athens, signed 8 November 2012 by Deputy Minister. - Then to ensure adequate staffing, another MD D2A 1157921 16/11/2012 was issued to move more auditors to fill gaps. All auditors have reported to their new offices.</p>

<p>(h) a Council of Ministers act (replacing the Council of Ministers act adopted on 29 October 2012), aiming at strengthening budget execution and enhancing sound fiscal management, and including, beyond the provisions in the original Council of Ministers act, additional provisions: (i) establishing that Memoranda of Cooperation are signed by end-December of each year between the Ministry of Finance and the other Ministries or between the Ministries and managers of the supervised entities (thus covering the entire general government); (ii) strengthening the current balanced budget constraints for local governments in order for them to be more effective, including corrective and sanctioning mechanisms; (iii) strengthening the current monitoring system for State-owned enterprises (SOEs) and introducing an enforcement mechanism in case of deviations from the specific targets identified for each SOE; and (iv) setting the framework for defining specific targets for the coverage of operational commitment registers for local governments and SOEs to be established by December of each year. That Council of Ministers act shall also include mechanisms for correcting transfers from central government to address deviations from targets within the year and possibly in the following years, while ensuring that arrears are not increasing; it shall make explicit that the proceeds from the privatisation of government assets are paid directly into a segregated account to monitor cash flows, avoid diversion of official financing and secure a timely debt servicing; and it shall set automatic cuts in expenditure to be applied as a rule when targets are missed, while ensuring that arrears do not increase;</p>	<p><b>OBSERVED.</b> FEK A nr 228, date 18/11/2012</p>
<p>(i) a set of measures to improve the current financial situation of the National Organisation for Healthcare Provision (EOPYY) and ensure that budgetary execution is closer to a balanced budget in 2012 and 2013, including: (i) streamlining the benefit package; (ii) increasing cost-sharing for healthcare delivered by private providers; (iii) negotiating price-volume agreements and revising case-mix agreements with private providers; (iv) revising the fees for, and number of, diagnostic and physiotherapy services contracted by EOPYY to private providers with the aim of reducing related costs by at least EUR 80 million in 2013; (v) introducing a reference price system for the reimbursement of medical devices; and (vi) progressively increasing the contributions paid by OGA members to the average of those paid by other members of EOPYY;</p>	<p><b>OBSERVED.</b> FEK no.3054/B'/18-11-2012</p>
<p>(j) the following measures relating to the reimbursement of medicines: (i) legislation to control pharmaceutical spending that activates contingency measures (including e.g. an across-the-board cut in prices), if for any reason the existing automatic claw-back mechanism is not sufficient to achieve the target; such measures shall produce an equivalent amount of savings; (ii) a ministerial decree, setting the new claw-back threshold for 2013 (EUR 2,44 billion for outpatients); (iii) updating the price</p>	<p><b>OBSERVED.</b> Entry fee introduced . Ref. "Minibus" act FEK 229A/19.11.2012 Article 11 par.1 (entry fee)  FEK 3035/B/15.11.2012  FEK 3047/ B/ 16.11.2012 and FEK 3046/ B/ 16.11.2012  FEK 3057/B/18-11.2012</p>

list and the positive list of reimbursable medicines, particularly by establishing the reimbursement of only cost effective packages for chronic diseases, by moving medicines from the positive to the negative and over-the-counter lists and by introducing the reference price system developed by the National Organisation for Medicines (EOF). These lists must be updated at least twice a year in line with Council Directive 89/105/EEC; and (iv) the substitution of prescribed medicines by the lowest-priced product of the same active substance in the reference category by pharmacies (compulsory "generic substitution").";	
<b>(3) in Article 2, paragraph 11 is replaced by the following:</b>  "11. Greece shall adopt the following measures by the end of December 2012:  (a) a tax reform of personal income tax and corporate income tax that aims at simplifying the tax system, broadening the tax base and eliminating exemptions and preferential regimes;	<b>OBSERVED.</b> 25/1/2013 Law 4110 GG 17/A/23-1-2012.
(b) the necessary primary and secondary legislation to ensure the swift implementation of the Privatisation Plan;	<b>OBSERVED, ONGOING.</b>
(c) the establishment of a regulatory framework for water companies;	<b>OBSERVED.</b> The relevant law provisions were adopted by Parliament at 24/1/2013 (FEK A29/5-2-2013). The JMD for the establishment of the regulatory framework was signed and published (FEK 679/22-3-2013).
(d) measures to improve the tax administration, introducing performance assessments, improving the use of risk assessment techniques, and establishing and reinforcing specialist debt management units;	<b>OBSERVED.</b> 11/4/2013 Law 4141 (GG 81/A/5-4-2013) sets the legal framework.
(e) the preparation and publication of a plan for the clearance of arrears owed to suppliers by public entities and of tax refunds;	<b>OBSERVED.</b>
(f) the finalisation of the implementation of the reform of the functioning of secondary/supplementary public pension funds; and the unification of all existing funds in the public sector;	<b>OBSERVED.</b> The target of ETEA has been implemented for the supplementary funds.
(g) legislation to extend the application of the 5 % rebate on pharmaceutical companies (which exists for hospital-priced medicines) to all products sold in EOPYY pharmacies;	<b>OBSERVED.</b> Law.4093/FEK 222/12-11-12(IB2/5,6,8) & PNP/FEK 229/19-11-2012 (article11/par.10).
(h) an increase of the share of generic medicines to 35 % of the overall volume of medicines sold by pharmacies;	<b>NOT OBSERVED.</b> Process is ongoing
(i) the assignment of internal controllers to all hospitals and the adoption by all hospitals of commitment registers.";	<b>NOT OBSERVED.</b> Process is ongoing though not finalised but action plan and timeline provided.

<p><b>(4) the following paragraphs are added to Article 2:</b></p> <p>"12. Greece shall adopt the following measures by the end of March 2013:</p> <p>(a) issue a Ministerial Decree for the adjustment of end-user prices for low-voltage customers;</p>	<b>OBSERVED.</b>
<p>(b) update the MTFS, including by setting binding 3-year expenditure ceilings for government subsectors;</p>	<b>OBSERVED.</b>
<p>(c) adopt staffing plans for line Ministries;</p>	<b>OBSERVED.</b>
<p>(d) establish a significantly more autonomous tax administration and specify the degree of autonomy, governance framework, accountability, legal powers of the head of the tax administration and the initial staffing of the organisation;</p>	<b>OBSERVED, ONGOING.</b>
<p>(e) issue and make public a new fully-fledged anti-corruption plan for the civil service, including special provisions for the tax and customs administration;</p>	<b>OBSERVED.</b> National plan has been produced. Assessment is positive.
<p>(f) make fully operational a standard procedure for revision of legal values of real estate to better align them with market prices under the responsibility of the Directorate of Capital Taxation;</p>	<b>NOT OBSERVED.</b> Owing to the complexity of the process, a rephrasing of the action is needed.
<p>(g) transfer 40 new real estate assets (identified as "real estate assets lots 2 and 3" in the Privatisation Plan) to the HRADF.</p>	<b>NOT OBSERVED.</b> The first JMD for the transfer to HRADF of part of the 40 assets is signed and published (FEK 754/2-4-2013) The JMD for the others was prepared and expected to be signed very shortly.