Greece

Memorandum of Understanding for a three-year ESM programme

1. Outlook and strategy

Greece has requested support from its European partners, to restore sustainable growth, create jobs, reduce inequalities, and address the risks to its own financial stability and to that of the euro area. This Memorandum of Understanding (MoU) has been prepared in response to a request of 8 July 2015 from the Hellenic Republic to the Chairperson of the Board of Governors of the European Stability Mechanism (ESM) for stability support in the form of a loan with an availability period of three years. In accordance with Article 13(3) of the ESM Treaty, it details the conditionality attached to the financial assistance facility covering the period 2015-18. [Of course the real 'story' is that this MoU was prepared to reflect the Greek government's humiliating capitulation of 12th July, under threat of Grexit put to PM Tsipras by the EuroSummit. See here for the annotated text of that "Agreement"] The conditionality will be updated on a quarterly basis… [i.e. the Greek government will be constantly engaged in the troika process, starting a new 'review' just as the previous one ends]…taking into account the progress in reforms achieved over the previous quarter. In each review the specific policy measures and other instruments to achieve these broad objectives outlined here will be fully specified in detail and timeline.

Success requires ownership of the reform agenda programme by the Greek authorities. The Government therefore stands ready to take any measures that may become appropriate for this purpose as circumstances change. The Government commits to consult and agree with the European Commission, the European Central Bank and the International Monetary Fund on all actions relevant for the achievement of the objectives of the Memorandum of Understanding before these are finalized and legally adopted. [This is astonishing: A government commits to agreeing with the troika, even if it does not agree! Of course the opposite does not apply: the troika does not commit to "consulting and agreeing with the Greek government". Note too that the troika considers all legislation to be subject to its approval, including laws on higher education etc. Greek sovereignty is being forfeited wholesale."

The recovery strategy takes into account the need for social justice and fairness, both across and within generations. Fiscal constraints have imposed hard choices, and it is therefore important that the burden of adjustment is borne by all parts of society and taking into account the ability to pay. Priority has been placed on actions to tackle tax evasion [as long as it is not committed by the oligarchs in full support of the troika through their multifarious activities, including the bankrupt media that they full own], fraud and strategic defaulters, as these impose a burden on the honest citizens and companies who pay their taxes and loans on time. Product market reforms seek to eliminate the rents accruing to vested interest groups [as long as they are not the large scale rent seekers, who are to be fully protected and, indeed, assisted through the creation of conditions encouraging greater market concentration and large chain stores; e.g. the legislation that targets family owned pharmacies, granting licences to non-pharmacists to bring multinationals like CVS and Boots into the market]: through higher prices, these undermine the disposable income of consumers and harm the competitiveness of companies. Pension reforms have focussed on measures to remove exemptions and end early-retirement. To get people back to work and prevent the entrenching of long-term unemployment, the authorities, working closely with European partners, will initiate measures to boost employment by 50.000 people targeting the long-term unemployed [to be achieved, given the non-provision of additional resources, through some magic formula not mentioned here]. A fairer society will require that Greece improves the design of its welfare system, so that there is a genuine social safety net which targets scarce resources at those who need it most [to be achieved without a single new euro again by some magic formula yet to be invented]. The authorities plan to benefit from available technical assistance from international organisations on measures to provide access to health care for all (including the uninsured) [i.e. using advice of well paid foreign “technocrats” as a substitute for funding, nurses, doctors and equipment] and to roll out a basic social safety net in the form of a Guaranteed Minimum Income (GMI) [which would be great, except that not one fresh euro will be made available for the GMI program whose funding will be siphoned off existing benefits provided by the Greek state, e.g. child benefit].

Implementation of the reform agenda will provide the basis for a sustainable recovery, and the policies are built around four pillars:

- *Restoring fiscal sustainability (section 2)*: Greece will target a medium-term primary surplus of 3.5% of GDP to be achieved through a combination of upfront parametric fiscal reforms, including to its VAT and pension system, supported by an ambitious programme to strengthen tax compliance and public financial management, and fight tax evasion, while ensuring adequate protection of vulnerable groups. [In other words, even greater austerity than before awaits the social economy with the greatest recession due to the harshest austerity – guaranteeing that no sane investor will invest in productive capacity since, according to this MoU, the recession will end, at the earliest, in 2017 and then, in the following year, the brakes will be slammed on as the government hikes taxes and reducing spending further to attain the unattainable 3.5% primary surplus.]

- *Safeguarding financial stability (section 3)*: Greece will immediately take steps to tackle Non-Performing Loans (NPLs). A recapitalisation process of banks should be completed before the end of 2015, which will be accompanied by concomitant measures to strengthen the governance of the Hellenic Financial Stability Fund (HFSF) and of banks. [Banks were already recapitalised in 2013 but failed to provide credit because no bad bank was instituted to manage the mountainous NPLs – incredibly the same failure is being designed into this new MoU. Another large sum for the banks but no bad bank plan for dealing with the NPLs.]

- *Growth, competitiveness and investment (section 4)*: Greece will design and implement a wide range of reforms in labour markets and product markets (including energy) that not only ensure full compliance with EU requirements, but which also aim at achieving European best practices. [French or Latvian "best practices"?] There will be an ambitious privatisation programme, and policies which support investment. [Even the IMF, in its *Economic Outlook Spring 2015*, see Chapter 3, disputes that privatisations support investment and growth.]

- *A modern State and public administration (section 5)* shall be a key priority of the programme. Particular attention will be paid to increasing the efficiency of the public sector in the delivery of essential public goods and services. Measures will be taken to enhance the efficiency of the judicial system and to upgrade the fight against corruption. Reforms will strengthen the institutional and operational independence of key institutions such as revenue administration and the statistics institute (ELSTAT). [Independence of the tax administration and the statistical office from political interference was also our government's policy. Except that we were equally keen to ensure the tax authorities' independence from corporate interests and ELSTAT's independence from the troika. And we proposed to do this by placing both independent authorities under the purview of Parliament. This MoU foreshadows that Parliament will have a cosmetic role – that the real bosses of tax administrators and ELSTAT are the Euro Working Group, i.e. the troika, Eurostat, and the local vested interests who are mostly responsible behind corruption and rent seeking.]

Success will require the sustained implementation of agreed policies over many years. [i.e. the Greek Parliament's sovereignty is rescinded while it remains insolvent, which will be a long, long time as long as the Eurogroup refuses to discuss serious debt relief.] To this end, political commitment is needed, but so is the technical capacity of the Greek administration to deliver. The authorities have committed to make full use of the available technical assistance, which on the European side is coordinated by the new Structural Reform Support Service (SRSS) of the European Commission. Technical assistance is already in place for some key reform commitments, including on tax policy, the reform of the tax administration, the Social Welfare Review, and the modernisation of the judicial system. The authorities are committed to quickly scale up pre-existing technical assistance projects to support reforms such as OECD competition assessment, World Bank investment licensing, health care, revision of the income tax, autonomy of the tax authority, Social Security and tax debt cross-checking and collection and reform of the public administration. There is also scope to develop technical assistance projects in areas such as energy policy, labour market policies including tackling undeclared work and codification of the Greek statute book. The Greek authorities will by end-September 2015 finalise a medium-term technical assistance plan with the European Commission. [The same technical assistance that was standing by in Athens during the period when GDP collapsed by 27%, unemployment rose to 29% and net investment collapsed to negative numbers. Will they do better this time around? Not if they insist that their previous practices were appropriate.]

Greece needs to build upon the agreed recovery strategy and develop a genuine growth strategy which is Greek-owned and Greek-led [i.e. led by a government that most certainly does not believe that anything resembling a growth strategy is part of this MoU] This should take into account the reforms included in this MoU, relevant European Union initiatives, the Partnership Agreement of the implementation of NSRF and other best practices. Greece must benefit fully from the substantial means available from the EU budget and the EIB to support investment and reform efforts. For the period 2007-2013, Greece was eligible for EUR 38 billion in grants from EU policies, and should benefit from the currently remaining amounts under this envelope. For the 2015-2020 period, more than EUR 35 billion is available to Greece through EU funds. [Which means that the advertised increase in investment funding by 35 billion equates, in reality, to a reduction from 38 billion in the previous 5 year period to 35 billion in the following 5 year period.] To maximise absorption, the European Commission's Investment Plan for Europe will provide an additional source of investment as well as technical help for public and private investors to identify, promote and develop high-quality and feasible projects to fund. [These funds should be taken into account in the quarterly reviews, and failure of the European Commission to dispense them should trigger a proportionate revision of the assessment. Here's me dreaming again…] The Greek authorities may request technical assistance to further develop the growth strategy, which *inter alia could* aim at creating a more attractive business environment, improving the education system as well as human capital formation through vocational education and training, developing R&D and innovation. It could also help design sectorial priorities in areas such as tourism, transport and logistics, and agriculture. The authorities aim to finalise the growth strategy by March 2016 in collaboration with social partners, academics and international organisations. The strategy should also address the need for coordination of the ambitious reform agenda, reinforcing the existing Secretariat General for Coordination and involving as appropriate organisations representing the private sector. [Another Secretariat! How refreshing to see that the solution to the problems of governance is that we need another layer of bureaucrats…]

2. Delivering sustainable public finances that support growth and jobs

The correction of extreme imbalances in public finances in recent years has required an unprecedented adjustment and sacrifices from Greece and its citizens. Public deficits have fallen considerably compared to the pre-crisis period, although Greece is facing a primary deficit of about 1.5 percent of GDP in 2015, absent additional measures. [A deficit that is entirely due to the troika's policy of asphyxiating our government, even before we were elected, by means of a politically engineered bank run (that was ignited by the Bank of Greece, the previous government and accelerated by the ECB's constant threats to cut off the banks' access first to ECB liquidity and then to ELA) and, soon after, by restrictions in the state's capacity to roll over its existing T-Bills. Lest we forget, our SYRIZA government did not raise one new tax or introduce anything but trivial new expenditures to the budget. The insinuation that everything was going swimmingly with the Greek economy until the SYRIZA government messed things up is the worst kind of 'victors' history' that blames the victim for its fate.] The consolidation has also relied on a dramatic scaling back of public investment and services, which will need to be progressively normalized and further prioritised in order to sustain the growth potential. [Naturally: Before January 2015, investment in productive activity, as opposed to speculative investment, was virtually non-existent. Once the troika threatened us with bank closures from day 1, even speculative investment dried up. It would indeed take remarkable… patriotism on the part of businesses to invest in a country threatened by its creditors with suffocation unless it accepted a non-viable program that fuels further a 6 year old debt-deflationary cycle.]

2.1 Fiscal policy

The Greek authorities commit to ensuring sustainable public finances and achieve sizeable and sustainable primary surpluses over the medium-term that will reduce the debt to output ratio steadily. The authorities will accordingly pursue a new fiscal path premised on a primary surplus targets of -¼, 0.5, 1¾, and 3.5 percent of GDP in 2015, 2016, 2017 and 2018 and beyond, respectively. The trajectory of the fiscal targets is consistent with expected growth rates of the Greek economy as it recovers from its deepest recorded recession. [Sure, the debt/primary surplus trajectory is consistent with "expected growth rates" if one is prepared to make the spectacular mistake (that the troika has been making since 2010) of assuming that growth rates are exogenous and independent of the medium term primary surplus targets! Naturally, the moment we acknowledge that the very announcement of a crazy 3.5% primary surplus for 2018 reduces investment in 2016– as investors anticipate a new dose of hard austerity 18 months later - the debt/primary surplus trajectory becomes ridiculously inconsistent with "expected growth rates". And so the extend-and-pretend of the Greek program lives on to yield fresh crisis summits and to damage another generation…]

The government has recently adopted a reform of VAT and a first phase of the reform of the pension systems; raised the corporate tax rate; extended the implementation of the luxury tax; taken measures to increase the advance corporate income tax in 2015 and require 100 percent advance payments gradually for partnerships etc. and individual business income tax by 2017; and raised the solidarity surcharge. [Quite astounding how these tax increases, in the context of a broken economy, are presented as a good thing. Ultimate proof that the troika are not even neoliberals, since neoliberals would argue for a reduction in corporate taxes and VAT to stimulate economic activity and increase the tax take!]

Furthermore, as a **prior action** the Government will adopt legislation to:

- *raise revenues*: a) gradually abolish the refund of excise tax on diesel oil for farmers in two equal steps in October 2015 and October 2016 [i.e. do untold damage to the primary sector which had a chance of becoming an engine of growth through proper marketing of the Mediterranean diet, niche organics etc.]; b) increase the tonnage tax [i.e. ensuring that most Greek shipping shifts to nearby Cyprus]. The authorities will take actions to launch the 2015 ENFIA exercise in order to issue bills in October 2015 with the final instalment due in February 2016 [i.e. perpetuating an indefensible property tax that falls on everyone independently of their income in a country were 2 million unemployed or inactive people still own some small property. The perpetuation of ENFIA, and the glee with which the troika sees the issuance of bills in October, will most certainly turn the population against this MoU and make its implementation impossible.] They will also correct issues with the revenue measures recently implemented.
- *target and contain expenditure*: a) effective immediately, (i) re-establish full INN prescription; (ii) reduce the price of all off-patent drugs; b) launch the comprehensive social welfare review (see section 2.5.3).
- The package will include further measures with budgetary impact, such as public administration reforms, reforms addressing shortfalls in tax collection enforcement, and other parametric measures, recalled in other parts of this document. [Not since the Soviet Union has wishful thinking, unsupported by anything tangible, posed as policy making.]

To demonstrate its commitment to credible fiscal policies, the Government will adopt (**Key deliverable**) in October 2015, a supplementary 2015 budget as needed, the draft 2016 budget and a 2016–19 Medium-Term Fiscal Strategy, supported by a sizable and credible package of parametric measures [meaning direct benefit/pension cuts and tax rates increases] and structural fiscal reforms [i.e. permanent cuts in social welfare], including: a) a second-phase of pension reforms [i.e. cuts to existing pensions, as opposed to mere restrictions in early retirements], see section 2.5.1; b) a reform of the income tax code, see section 2.2.2; c) phasing out the preferential tax treatment of farmers in the income tax code, with rates set at 20% in the 2016 exercise and 26% in the 2017 exercise [adding to the pain of the diesel oil tax rate and creating new vistas of glory for tax evasion in Greece's countryside]. Meanwhile a strategy for agriculture is being developed; d) a tax on television advertisements [a rare glimmer of light in this MoU, as long as it is implemented]; e) the announcement of an international public tender for the acquisition of television licenses and usage related fees of relevant frequencies; f) the extension of Gross Gaming Revenues (GGR) taxation of 30% on VLT games expected to be installed at second half of 2015 and 2016 [a fair tax rate, except that the opening of 16 thousand e'gambling parlours in the villages, towns and suburbs of Greece, peddling false hope to a hopeless population, with the carrot of additional taxes-on-hopeless-hope dangled in front of law makers, is another sad development]; g) an increase of the tax rate on income for rents for annual incomes below €12,000 to 15% (from 11%) and for annual incomes above €12,000 to 35% (from 33%) [i.e. a measure that further encourages landlords to offer leases on which a fraction of the actual rent is specified, the rest being paid under the table – thus, tax evasion gets another pat on the back.]; h) phasing out special tax treatments of the shipping industry; i) extend the temporary voluntary contribution to 2018; j) reduce permanently the expenditure ceiling for military spending by €100 million in 2015 and by €400 million in 2016 with a targeted set of actions, including a reduction in headcount and procurement [Defence expenditure reductions are fine with me. This is a wonderful opportunity for Greek government to push its EU partners into participating in the cost of defending Greece's borders, since the latter are also the EU's borders.]; k) better target eligibility to halve heating oil subsidies expenditure in the budget 2016 [that is, let more families freeze in the coming winter].

In addition to the measures above, the authorities commit to legislate in October 2015 credible structural measures yielding at least ¾% of GDP coming into effect in 2017 and ¼% of GDP coming into effect in 2018 to support the achievement of the medium term primary balance target of 3.5% of GDP. [A target that can never be achieved without crushing that is left of the Greek economy; a target that the troika itself does not expect to be achieved but which it inserts in this MoU only because it is its policy that Italy and France be coerced into accepting a 3.5% target for 2018 – a reminder that this MoU is written with the broader struggle for Europe in mind.] The authorities commit to take further structural measures in October 2016, if needed to secure the 2017 and 2018 targets. These would include containing defence expenditure, the planned PIT reform and freezing statutory spending.

Parametric fiscal measures will be bolstered by a wide range of administrative actions to address shortfalls in tax collection and enforcement: these measures will take some time to bear fruit but could offer significant upside fiscal yield going forward. [This is an ominous paragraph. It proclaims that the more this program fails to deliver on growth, the more "parametric measures" – i.e. austerity – will be applied. It is a brief manifesto in favour of the austerian road to Greece's ruin, or to Europe's change of mind. Whichever comes first.]

The Greek government will monitor fiscal risks, including court rulings, and will take offsetting measures as needed to meet the fiscal targets. [i.e. when the courts rule out some pension cut or tax hike, the government commits to stepping in to ensure that the rule of law is subverted so that the troika's will is not.] The authorities intend to transfer at least 30 percent of any over-performance to the segregated account earmarked for debt reduction. [i.e. if the government does better than expected in revenue collection, it will not be able to use it to lessen the suffering of the worst hit – it must, instead, give a large chunk of this money to the creditors.]

2.2 Tax policy reforms

The Government commits to enact reforms of both direct and indirect taxation to improve efficiency, collectability and boost labour supply.

In July 2015 the Government has already legislated a major reform of VAT aiming at simplifying the VAT structure [i.e. denying Aegean islanders a discount on VAT which was previously enshrined in the constitution in recognition of the great difficulties, especially in winter, of living and working on islands with intermittent transport – especially in winter], broadening the tax base and eliminating and streamlining exemptions, generating around 1% of GDP in annual revenues [i.e. squeezing another large chunk from the Greek economy in the form of indirect taxes, jeopardising in the process any prospect of a new social contract between the state and its citizens – most of whom would like to tax evade less if the tax rates were reasonable].

The government commits to further reforms as follows:

i. As a **prior action**, the authorities will: a) eliminate the cross-border withholding tax introduced by the instalments act (law 4321/2015) and reverse the recent amendments to the ITC introduced in laws (4328/2015, 4330/2015 and 4331/2015); [The relevant article of this Law, 4321/2015, whose purpose was to limit and discourage transfer pricing that exploits the low tax rates of Cyprus and Bulgaria, must be amended; not just abolished. This type of transfer pricing goes on and robs the Greek state of substantial taxes. Putting nothing in its place is a dereliction of duty by the Greek state and another example of the troika's disregard for genuine tax evasion fighting measures.] b) clarify that the VAT island discounts will be fully eliminated by end-2016 and define the transitional arrangements [The determination with which the troika persecutes Aegean islanders, demanding that their VAT discount is removed, is impressing. Especially given that this type of discount applies fully in every remote island grouping in the European Union; e.g. the Canaries, several islands in the Baltics, etc.]

ii. *Tax Codes.* By September 2015 adopt outstanding reforms on the tax procedures codes: a) introduce a new Criminal Law on Tax Evasion and Fraud to amend the Special Penal Law 2523/1997 and any other relevant legislation, and replace Article 55, paragraphs 1 and 2, of the TPC, with a view, *inter alia,* to modernize and broaden the definition of tax fraud and evasion to all taxes; abolish all Code of Book and Records fines, including those levied under law 2523/1997; b) issue a circular on fines to ensure the comprehensive and consistent application of the TPC; c) ensure appropriate single-violation penalties for breach of the accounting code; non-issuance or incorrect issuance of retail receipts will be treated as a single but serious procedural violation for VAT, **(key deliverable).** By February 2016, the authorities will conduct a comprehensive review of remaining tax legislation that is in conflict with the ITC and TPC, integrating these acts where appropriate, and by March 2016 issue all secondary legislation to implement the ITC and TPC**.**

iii. *Income tax.* By October 2015, the Government will: a) simplify the personal income tax credit schedule [i.e. ensure that the poor pay more and the rich get tax relief]; b) re-design and integrate into the ITC the solidarity surcharge for income as of 2016 to more effectively achieve progressivity in the income tax system [i.e. convert a temporary addition to income tax into a permanent one]; c) identify all business income tax incentives and integrate the tax exemptions into the ITC, eliminating those deemed inefficient or inequitable; d) undertake a review and reform of the KEDE, including revenue administration procedures for enforced sale of assets at public auctions; e) ensure the revenue administration's adequate access to taxpayers' premises for conducting timely audits and enforcement purposes; f) review the framework of capital taxation and develop the tax framework for collective investment vehicles and their participants consistently with the ITC and in line with best practices in the EU; g) review the withholding tax on technical services; h) In view of any revision of the zonal property values, adjust the property tax rates if necessary to safeguard the 2016 property tax revenues at least €2.65 billion [i.e. make sure that properties which lost much of their value due to the recession are still taxed as a percentage of the old, defunct value - a clear directive to pursue unfair tax policies!] and adjust the alternative minimum personal income taxation; i) review the operation of the alternative minimum tax (including correcting any backtracking); j) close possibilities for income tax avoidance; k) tighten the definition of farmers [i.e. exclude many new farmers from a definition that would give them a degree of the subsidies necessary to become established]. **(key deliverable)**

iv. *VAT.* The authorities will by March 2016, a) codify and simplify the VAT legislation, aligning it with the tax procedure code, eliminating outstanding loopholes and shortening the VAT payment period; b) simplify the income tax regime and ensure consistency of the income base for income tax and social security contributions of small businesses below the VAT registration threshold; c) modernise the corporate tax law in ITC covering mergers and acquisitions and corporate reserve accounts and implement ITC provisions concerning cross-border transactions and transfer pricing. **(key deliverable)**

v. *Property tax.* The authorities will by September 2016 align all property assessment values with market prices with effect from January 2017. [Exactly how will they do this when in many areas of Greece there are no property markets, in the sense that almost no sales are recorded due to the recession. How does one price a house for which there is no market?]

vi. By that date, cross-checking of all ownership interests against the information on all individual properties in the cadastre. **(key deliverable)**

2.3. Revenue administration reforms

The ability to collect revenues has been hampered by a long history of complicated legislation, poor administration, political interference and generous amnesties, with chronically weak enforcement. To break from this practice and improve the tax and social security payment culture, the government firmly commits to take strong action to improve collection and to not introduce new instalment or other amnesty or settlement schemes nor extend existing schemes. [This is a reference to our 100-instalments scheme which proved successful in an economy where 3.5 million taxpayers owed the state less than 3000 euros each but could not pay, the result being that they were in-formalised courtesy of frozen tax file numbers. By giving them the opportunity to pay in many instalments, we gave them back their dignity. The troika was furious, arguing that we were "destroying the payment culture". Our argument was that there can be no restoration of a payments culture when millions of Greek families were unable to pay small sums of money to the state in order to return to the formal sector. With the troika screaming blue murder, we legislated the 100-instalments legislation clarifying that it was a one-off and giving a 2% discount to taxpayers who had never been in arrears, as a reward that helps the "payments culture". It proved a great success; a success that the troika never forgave us for. Now, with this MoU, the troika is seeking its revenge, making the Greek government commit to never acting against its edicts.]

As a **prior action**, the authorities will adopt legislation to: a) on garnishments, eliminate the 25 percent ceiling on wages and pensions and lower all thresholds of €1,500 while ensuring in all cases reasonable living conditions [i.e. The tax office is no longer prevented from confiscating wages and pensions of those in tax arrears (the limit was previously 25% of wages and pensions). Similarly, the tax office will not longer have to leave at least 1500 euros in the account of a taxpayer in arrears whose savings have been confiscated. They can leave him or her with, say, 200 euros. The "reasonable living conditions" will be decided by the tax official according to whims that this MoU does not specify.]; b) amend the 2014–15 tax and SSC debt instalment schemes to exclude those who fail to pay current obligations [i.e. amend out 100-instalments legislation – see above – so that those who started making payments will be asked to pay the whole due sum if they cannot meet their fresh tax bill. That is, the new hardships that will befall taxpayers as a result of the drop in economic activity engineered by the troika to humiliate PM Tsipras will annul the taxpayers' opportunity to pay back previous arrears gradually], to introduce a requirement for the tax and social security administrations to shorten the duration for those with the capacity to pay earlier, and to introduce market-based interest rates [reflecting the Greek banking system's credit crunch] while providing targeted protection for vulnerable debtors (with debts below €5,000); c) amend the basic instalment scheme/TPC to adjust the market-based interest rates and suspend until end-2017 third-party verification and bank guarantee requirements; d) accelerate procurement of software for VAT network analysis and for further automation of the debt collection, embracing inter alia fully automatized garnishment procedures; e) adopt immediately legislation to transfer, by end October 2015 all tax- and customs-related capacities and duties and all tax- and customs-related staff in SDOE and other entities to the revenue administration; all non-assessed audits reports made by SDOE since law 4321/2015 will be considered as detailed fact sheets to the tax administration. [This is a hugely important and depressingly toxic directive, on which I shall be dedicating a special article. SDOE has been doing a splendid job at creating an algorithmic method for comparing money flows within the Greek banking system with tax returns for the last 20 years. The "revenue administration" within the Finance Ministry is autonomous if the Ministry and too close for comfort both with the oligarchs and the troika. Disbanding SDOE, before it completes this remarkable tax evasion fighting project (that has the potential of discovering billions of evaded taxes), would be worse than a crime – it would be a pity. And yet this is precisely what the troika is doing.]

The authorities commit to taking immediate enforcement action regarding debtors who fail to pay their instalments or current obligations on time. The authorities will not introduce new instalment or other amnesty or settlement schemes nor amend existing schemes, such as by extending deadlines. [The troika's loathing of our 100-instalment scheme is bubbling up everywhere in this MoU. They could not stand that we legislated it without their consent.]

Furthermore, the authorities, making use of technical assistance, will:

i. *enhance compliance.* The government will by October 2015: a) adopt a fully-fledged plan to increase tax compliance; b) develop with the Bank of Greece and the private sector a costed plan for the promotion and facilitation of the use of electronic payments and the reduction in the use of cash with implementation starting by March 2016.; c) publish the list of debtors for tax and social security debt overdue for more than three months.

ii. *fighting tax evasion.* The authorities will by November 2015 produce a comprehensive plan for combating tax evasion based on an effective interagency cooperation which includes: a) identification of undeclared deposits by checking bank transactions in banking institutions in Greece or abroad; b) introduction of a voluntary disclosure program with appropriate sanctions, incentives and verification procedures, consistent with international best practice, and without any amnesty provisions; c) request from EU member states to provide data on asset ownership and acquisition by Greek citizens, and how the data will be exploited; d) renew the request for technical assistance in tax administration and make full use of the resource in capacity building; e) establish a wealth registry to improve monitoring; f) adopt legislative measures for locating storage tanks (fixed or mobile) to combat fuel smuggling; g) create a database to monitor the balance sheets of parent-subsidiary companies to improve risk analysis criteria for transfer pricing; [All good and fair, except that it holds little water in view of the – see above – determination to subsume SDOE into the public revenue administration. A case of great pronouncements against tax evasion after having “defanged” the only part of the Finance Ministry (SDOE) that is fully committed to do something about it.]

iii. *prioritise action on collectable taxes.* By September 2015, the authorities will sign the Ministerial Decision allowing for the extension of the indirect bank account register to provide 10 years of transaction history. By October 2015, the authorities will reduce – taking account technical assistance - restrictions on conducting audits of tax returns subject to the external tax certificate scheme. By November 2015, the authorities will adopt measures to prioritise tax audits on the basis of risk analysis and not, as is now the case, year of seniority (i.e. year of write-off). [Nb. This will necessitate a ‘get out of jail’ card for those who let the statute of limitations take effect in tax audits in order to pursue cases suggested by risk analysis. Moreover, a lot of backlog is created by the insistence of public prosecutors to command agents of the Ministry of Finance’s general accounts office or the revenue administration to pursue cases that go through the public prosecutors’ desks irrespective of importance or culpability. Unless this matter is resolved civil servants will be the slaves of the judiciary.]

iv. *improve collection tools.* To improve collection of tax debt the authorities will by October 2015 **(key deliverable)**: a) improve the rules on write-off of uncollectible tax; b) remove tax officers' personal liabilities for not pursuing old debt, and c) propose, and implement in 2016, a national collection strategy including further automation of debt collection, and by November d) take necessary measures towards the timely collection of fines on vehicles uninsured or not undertaking mandatory technical controls, and of levies for the unlicensed use of frequencies; e) issue legislation to quarantine uncollectable Social security contribution debt; and f) improve the rules on write-off of uncollectible Social security contribution debt, and g) enforce if legally possible upfront payment collection in tax disputes. [There is a danger here that the presumption of innocence is sidelined and that 'capture' gets an unwelcome boost.]

v. To improve collection of Social security debt by September 2015 the authorities will: a) provide KEAO with access to indirect bank account registry and to tax administration data; b) create a single SSC debt database that will encompass all social security funds. The authorities will implement by end-December 2016 a central registry of contributors in coordination with the pension funds consolidation and complete the integration of social security contribution collection with the tax administration by the end of 2017.

vi. *strengthen VAT revenues.* The authorities will strengthen VAT collection and enforcement *inter alia* through streamlined procedures and with measures to combat VAT carousel fraud. They will adopt by October 2015 legislation to a) accelerate de-registration procedures and limit VAT re-registration to protect VAT revenue; b) adopt the secondary legislation needed for the significantly strengthening the reorganization of the VAT enforcement section in order to strengthen VAT enforcement and combat VAT carousel fraud. The authorities will submit an application to the EU VAT Committee and prepare an assessment of the implication of an increase in the VAT threshold to €25000;

vii. *reinforce the capacity of the administration.* By October 2015, the authorities will secure the full staffing of KEAO, strengthen control capacity in IKA and reinforce the Large Debtors Unit, to improve its capacity on issues of liquidation and tax collection, and – with highly skilled legal advisers, supported by an international independent expert firm – for the assessment of debtor viability. By December 2015 the LDU will segment commercial debtors with large public debt according to viability status. [All good ideas. Where will the funding come from?]

viii. *strengthen the independence of the revenue administration.* The authorities will by October 2015 adopt legislation **(key deliverable)** to establish an autonomous revenue agency, that specifies: a) the agency's legal form, organization, status, and scope; b) the powers and functions of the CEO and the independent Board of Governors; c) the relationship to the Minister of Finance and other government entities; d) the agency's human resource flexibility and relationship to the civil service; e) budget autonomy, with own GDFS and a new funding formula to align incentives with revenue collection and guarantee budget predictability and flexibility; f) reporting to the government and parliament. The authorities will by December 2015 **(key deliverable)** appoint the Board of Governors and adopt priority secondary legislation of the law (key human resource, budget) on the autonomous revenue administration agency, so that it can be fully operational by June 2016; [This was, and is, a main battleground against the troika, including its local branch that spans the gamut of oligarchy. I shall dedicate a different article to this. Our proposal was that the independent tax and customs commission should be truly independent of government but also independent of oligarchic interests. To ensure this we proposed a new authority under the aegis of, and answerable to, Parliament. The troika is working feverishly to creating an authority that it controls fully, with a fig leaf of local checks and balances. See Appendix 2 for my proposal to the troika on how a truly independent, but accountable to Parliament, tax and customs authority ought to be structured.]

The authorities will continue to improve operations as measured by key performance indicators. Over the medium term the Authorities will continue with reforms improving tax administration, to be agreed with the institutions and taking into account recommendations of technical assistance reports conducted by the EC/IMF.

2.4 Public Financial Management and Public Procurement

2.4.1 Public financial management

The authorities commit to continue reforms that aim at improving the budget process and expenditure controls, clearing arrears, and strengthening budget reporting and cash management.

The authorities will adopt legislation by October 2015 (**key deliverable**) to upgrade the Organic Budget Law to: a) introduce a framework for independent agencies; b) phase out ex-ante audits of the Hellenic Court of Auditors and account officers (ypologos) [Nb. There is an assumption here that Greece's Constitution can be bypassed; i.e. HCA involvement cannot be sidelined by laws or decrees.] ; c) give GDFSs exclusive financial service capacity and GAO powers to oversee public sector finances; and d) phase out fiscal audit offices by January 2017. The authorities will adopt secondary legislation to define the transitional arrangements of the OBL reform by end-December 2015, and complete the reform by end-December 2016. [

The Greek government is committed to making the Fiscal Council operational before finalizing the MoU. For this to happen, the government adopted a Ministerial Decision to start the open procedure to select the members of the board. Following completing the process for the appointment of the Board Members of the Fiscal Council, the Government will by September 2015 issue the needed secondary legislation to make the Council fully operational (including budgeting and staffing) by November 2015. The Authorities will complete a review with the help of technical assistance from the EC of the work of the Fiscal Council by December 2016, and adopt legislation as needed (March 2017). [During the last phase of our negotiations with the Eurogroup, before our July capitulation, I offered to use the Fiscal Council as a lever for introducing an effective deficit brake. The idea was to replace the harsh austerian parametric tax and pension changes demanded by the troika with more growth friendly measures and to commit to an automated deficit brake, to be applied by the independent Fiscal Council, if targets were not met. That proposal was never accepted. It is, therefore, questionable now what role the Fiscal Council will play. Is the troika intending to use it as the enactor of a debt brake after having imposed austerity that guarantees failure in achieving the targets? In this case the Fiscal Council will become an Eternal Depression Council.] In line with the Fiscal Compact, the Greek Government shall present the main characteristics of their medium-term public finance plans to the European Commission and the ECOFIN Council in Spring of each year and will update its Medium Term Fiscal Strategy before end May of each year in line with the programme targets. In addition as part of a common budgetary timeline, Greece shall submit to the European Commission the draft budget for the following year by 15 October of each year, along with the independent macro-economic forecast on which they are based. The Government will design a new government Budget Classification structure and Chart of Accounts (September 2016) in time for the 2018 budget. [This MoU specifies quarterly reviews. Adding European semester procedures during the program will mean that no one in the Greek government will be doing any serious work, especially long term planning, except preparing and participating endless reviews!]

The authorities will present by September 2015 a plan to complete the clearance of arrears, tax refund and pension claims, and immediately start implementation. [We never lacked a plan to do this. It was the money we lacked!] The authorities will then clear the outstanding stock of spending arrears of 7.5 billion by end-December 2016 after completing a thorough audit by end-January 2016, and clear the backlog of unprocessed tax refund and pension claims by end-December 2016; The Government will ensure that budgeted social security contributions are transferred from social security funds to health funds and hospitals so as to clear the stock of health-related arrears.

The Government will present by November 2015 a medium-term action plan to meet the requirements of the Late Payment Directive, including concrete measures and safeguards to ensure the transfer of IKA liabilities (cash transfers and expenditures) to EOPYY during the relevant period. By January 2016, the authorities will complete an external audit of EOPYY's accounts payables, and rationalize the payment process in the social security and health system by end-June 2016 (**key deliverable**).The authorities will continue to improve operations as measured by key performance indicators.

To improve the fragmented cash management system, the Government will include all central government entities in the treasury single account by end-December 2015. Following the implementation of a cash management reform the Authorities will close accordingly general government accounts in commercial banks and consolidate them in the Treasury single account. As a **prior action**, the ministry of finance will ring-fence the account for the management of EU structural funds instruments and of Greece's national contributions. [Nb. This sounds reasonable. The reality of it, however, is quite different. The General Accounts Office of the Ministry of Finance will have zero breathing space if this requirement is imposed. On a technical note, most of CG entities are already in the TSA.]

2.4.2 Public procurement

Greece needs to take further action in the area of public procurement to increase efficiency and transparency of the Greek public procurement system, prevent misconduct, and ensure more accountability and control. [This is the mother of all understatements. Procurement is one of a triad of sins and its lucrative nature can be inspected by driving around Athens' northern suburbs. The troika has never, in the past five years, tackled this festering wound. Will they now? If they do they will have to turn against the oligarchs whose media have been spreading the troika's propaganda over the five months of our intense negotiations. If they troika turns against them, to fulfil these promises and pledges, it will be the most remarkable turn around in the history of political economics. But don't hold your breath dear reader!] By September 2015 the authorities will agree with the European Commission, which will assist on implementation, an action plan to spell out the details of the actions below **(key deliverable)**.

- By January 2016, a consolidated, comprehensive and simplified legislative framework (primary and secondary legislation) on public procurement and concessions, including the transposition of the new EU directives on public procurement and concessions (2014/23, 2014/24, 2014/25) will enter into force.
- By December 2016, the reform of the system of non-judicial/administrative remedies will enter into force. The authorities will present a detailed proposal for this reform to the Commission by October 2015.
- By February 2017, the authorities will adopt measures to improve the judicial remedies system. In preparation, the authorities will perform by September 2016 in cooperation with the Commission a comprehensive assessment of the effectiveness of the existing judicial remedies system, identifying problems (e.g. lack of effective and rapid remedies, delays, difficulty of obtaining damages, litigation costs).
- The authorities will continue to implement the action plan on e-procurement as agreed with the Commission.
- By May 2016, a new central purchasing scheme, established in cooperation with the Commission and the OECD will enter into force, to be applied for the needs of 2017.

The authorities will ensure that the SPPA remains the principal institution in the area of public procurement in Greece; the SPPA will cooperate with other Greek institutions and the Commission to prepare by March 2016 a national strategy, identify systemic deficiencies of the national public procurement system, and propose realistic solutions to be implemented by the authorities through an action plan.

2.5 Sustainable social welfare

2.5.1 Pensions

The 2010 and 2012 pension reforms, if fully implemented, would substantially improve the longer-term sustainability of the overall pension system. [i.e. both main and secondary pensions will be cut in the context of "sustainability". Note that pension funds were haircut savagely in 2012, when Greek government bonds (GGBs) were haircut, and unlike the ECB that refused to have its GGBs haircut or bankers who were haircut but also recapitalised. In addition, the fall in employment and the rise in undeclared labour made led to the situation where if the troika insists that the pension funds become self sufficient, the pension cuts necessary will be so large that aggregate demand in Greece will fall again so much that employment will suffer further thus hitting again the pension funds. Put simply, the troika's pension fund sustainability can only be achieved in the context of this MoU is pensions tend to zero…] However the pension system is still fragmented and costly and requires significant annual transfers from the State budget. Hence much more ambitious steps are required to address the underlying structural challenges, as well as the additional strains on the system caused by the economic crisis. Contributions have fallen due to high levels of unemployment at the same time as spending pressures mounted as many people opted to retire early. [Nb. It must be noted that, in addition to the increase in undeclared labour and the 12 billion euros haircut suffered by pension funds under the 2012 PSI, the recession took another toll on pension funds courtesy of so much "labour market flexibility" that the median wage fell by 30%. Naturally, the pension system is now unsustainable and in dire need of overhaul. However, such overhaul must be done over a long horizon as the economy and the labour market recover and not as an accounting exercise that adjusts outlays to current contributions.]

To address these challenges, the authorities commit to implement fully the existing reforms and will also proceed with further reforms to strengthen long-term sustainability targeting savings of around ¼ of GDP in 2015 and around 1% of GDP by 2016. The package *inter alia* aims to create strong disincentives for early retirement through increasing early retirement penalties and by the gradual elimination of the grandfathering of rights to retire before the statutory retirement age.

The authorities have already increased health contributions of pensioners to 6% on their main pensions and applied health contributions of 6% also to supplementary pensions from 1 July 2015; will integrate into ETEA by 1st September 2015 all supplementary pension funds and ensure that all supplementary pension funds will be only financed by own contributions from

1 January 2015; will freeze monthly guaranteed contributory pension limits in nominal terms until 2021; and ensured that people retiring after 30 June 2015 will have access to the basic, guaranteed contributory, and means-tested pensions only at the attainment of the statutory normal retirement age of currently 67 years. [So, in a country where pensioners spend a large chunk of their pension on health care, given the parlous state of the national health system, their pensions will be cut and their health contributions will rise…]

i. As a **prior action**, the authorities will: a) clarify the rules for eligibility for the minimum guaranteed pensions after 67 years [Nb. The rule should be clear: Set the minimum at the relative poverty threshold as defined by ELSTAT]. State explicitly that exemptions common to all civilized nations regarding retirement age will be honoured.; b) issue all circulars to ensure the implementation of the 2010 law; c) correct law 4334/2015 to among others correctly apply the freeze on monthly guaranteed benefits (instead of contributions state subsidy) and to extend to the public sector; d) repeal the amendments to the pension system introduced in Laws 4325/2015 and 4331/2015 in agreement with the institutions; and e) eliminate gradually the grandfathering to statutory retirement age and early retirement pathways, progressively adapting to the limit of statutory retirement age of 67 years at the latest by 2022, or to the age of 62 and 40 years of contributions, applicable for all those retiring (except arduous professions and mothers with children with disability) with immediate application.

ii. The authorities will by October 2015 **(key deliverable)** legislate further reforms to take effect from 1 January 2016: a) specific design and parametric improvements to establish a closer link between contributions and benefits [i.e. cut pensions!]; b) broaden and modernize the contribution and pension base for all self-employed, including by switching from notional to actual income, subject to minimum required contribution rules; c) revise and rationalize all different systems of basic, guaranteed contributory and means tested pension components, taking into account the incentives to work and contribute; d) the main elements of a comprehensive consolidation of social security funds, including the remaining harmonization of contribution and benefit payment procedures across all funds; e) phase out within three years state financed exemptions and harmonise contributions rules for all pension funds with the structure of contributions of the main social security fund for employees (IKA) ;

f) the abolition from 31 October 2015 of all nuisance charges financing pensions to be offset by reducing benefits or increasing contributions in specific funds [This will be fun to watch: Will the so-called aggeliosimo, a tax on advertisers that goes into the journalists' pension fund, be abolished? Media owners will kick and scream if this happens as they will, suddenly, need to contribute to their employees' pension fund. This is one to watch. Want to bet that this particular nuisance tax will stay"]; g) gradually harmonize pension benefit rules of the agricultural fund (OGA) with the rest of the pension system in a pro rata manner [i.e. the poorest of farmers will be hit also with a reduction in their already tiny old age pension]; h) that early retirements will incur a penalty, for those affected by the extension of the retirement age period, equivalent to 10 percent on top of the current annual penalty of 6 percent [There would be nothing wring with this, and indeed I had recommended this too, if early retirements were not a substitute for the absence of social security for unemployable workers between the ages of 58 and 67.]; i) better targeting social pensions by increasing OGA uninsured pension; j) the gradual phasing out the solidarity grant (EKAS) for all pensioners by end-December 2019, starting with the top 20% of beneficiaries in March 2016 [This is noteworthy for its callousness. EKAS is a small contribution to pensioners on extremely low pensions, well below the poverty level. To phase EKAS out, without any serious provision for its replacement, is an attack on decency.]; k) restore the sustainability factor of the 2012 reform or find mutually agreeable alternative measures in the pension system [i.e. come up with a miraculous new source of money or just cut pensions]; i) the Greek government will identify and legislate by October 2015 equivalent measures to fully compensate the impact of the implementation of the Court ruling on the pension measures of 2012 [i.e. the Court decided that various pension reductions since 2012 were unconstitutional, as they violated given obligations of the state to its citizens. This MoU commits the Greek government to find some way to violate the spirit of the Court's decision].

iii. The Government will by December 2015 **(key deliverable)** integrate all social security funds under a single entity, abolish all existing governance and management arrangements, establish a new board and management team utilizing IKA infrastructure and organization, implement a central registry of contributors and establish common services, as well as adopting a program to create a common pool of funds that will be fully operational by end-December 2016. The authorities will move towards the integration of social security contribution filing, payment and collection into the tax administration by the end of 2017. [That's all good. Carried over from our proposals of March 2015.]

The institutions are prepared to take into account other parametric structural measures within the pension system of equivalent effect to replace some of the measures mentioned above, taking into account their impact on growth, and provided that such measures are presented to the institutions during the design phase and are sufficiently concrete and quantifiable, and in the absence of this the default option is what is specified above. [i.e. If the Greek government does not want to amputate pensioners' arms, the troika will consider the proposal of the Greek authorities that their arms should be spared and instead have their legs amputated. Black humour. But accurate in the way it conveys this paragraph's meaning …]

2.5.2 Health care

The authorities have committed to continue reforming the health care sector, controlling public expenditure, managing prices of pharmaceuticals, improve hospital management, increase centralized procurement of hospital supplies, manage demand for pharmaceuticals and health care through evidence-based e-prescription protocols, commission private sector health care providers in a cost effective manner, modernize IT systems, developing a new electronic referral system for primary and secondary care that allows to formulate care pathways for patients. [Brilliant. Except that not a single euro have been budgeted for any of this!]

The authorities as **prior action** committed to reinstate previous key elements of reforms to the health system. In particular, they will a) amend Law 4332/2015 repealing part of Law 4052/2012 (reorganisation and restructuring of the health sector under the MoU) on the appointment of hospital CEOs; b) repeal MD FEK 1117/2015, in order to re-enforce sanctions and penalties as a follow-up to the assessment and reporting of misconduct and conflict of interest in prescription behaviour and non-compliance with the EOF prescription guidelines (re-establish prior MoU commitment); c) re-establish full INN prescription, including by repealing circular 26225/08.04.2015, with the exceptions as set out in art 6.4 to 6.6 of the MD FEK 3057/2012; d) reduce the price of all off-patent drugs to 50 percent and all generics to 32.5 percent of the patent price [Nb. Greece's indigenous pharmaceutical industry may be targeted here, to the benefit of multinationals that pay next to no tax], by repealing the grandfathering clause [Nb. This a loaded, neoliberal, sexist term, that should be read as ”acquired rights”; rights that are inscribed in the Greek Constitution, the European Court of Human Rights.] for medicines already in the market in 2012; e) establish claw backs for 2015 for diagnostics and private clinics and delink the 2014 claw back for private clinics from the 2013 one.

By September 2015 extend the 2015 claw back ceilings for diagnostics, private clinics and pharmaceuticals to the next three years, and, by October 2015, the authorities will (a) apply outstanding claws backs until H1-2015 for pharmaceuticals, diagnostics and private clinics will be collected; (b) publish a price bulletin to reduce pharmaceutical prices and publish it every six months; and c) review and limit the prices of diagnostic tests to bring structural spending in line with claw back targets **(key deliverables).** They will execute the claw backs every six months. By October 2015, the authorities will decide whether to re-establish a means-tested 5 Euro fee for hospital visits or to adopt equivalent measures in fiscal and demand management terms [i.e. start charging again the hated 5 euro fee, for hospital surgeries visited almost exclusively by the poor, that SYRIZA was committed to abolishing or find another way of collecting it from the poor].

By December 2015, the authorities will take further structural measures **(key deliverable)** as needed to ensure that spending for 2016 is in line with the claw back ceilings, including developing new protocols for the most expensive pharmaceutical active substances and diagnostics procedures. Authorities will further reduce generic prices including by making greater use of price-volume agreements where necessary. [Again, let me convey the concern of Greek pharmaceutical companies that this is aimed at them, given that they lack the transfer price capacities of the multinationals.] Over the next three years, they will develop additional prescription guidelines giving priority to those with the greatest cost and therapeutic implications. Ambitious but feasible timelines will need to be set by the Authorities.

By December 2015 (and by December 2016, respectively), the authorities will take concrete steps to increase the proportion of centralized procurement to 60 percent (and to 80 percent), the share of outpatient generic medicines by volume to 40 (and to 60 percent), inpatient generic medicines to 50 (and to 60 percent) and the share of procurement by hospitals of pharmaceutical products by active substance to 2/3 (and to ¾) of the total, in line with agreed targets. Generic penetration should be supported by further actions to improve the incentive structure of pharmacists, including on profit structure, by August 2016.

The authorities will introduce new drugs into the positive list on the basis of criteria set in MD 2912/B/30.10.2012 and related regulation, subject to prescription guidelines, and with prices set at the level of the lowest three in the EU or lower if the authorities can negotiate a rebate. By December 2017 the Authorities will set-up an HTA centre that will inform the inclusion of medicines in the positive list.

To improve financial management of hospitals, the authorities will by December 2015 **(key deliverable)** deliver a plan to adopt DRG or other international standard activity-based costing methodology to hospitals within the next three years; by December 2017 they will implement the new DRG or alternative activity-based costing system; by June 2016 they will deliver a plan to conduct annual independent financial audits of hospital accounts, with implementation to begin in 2017, and for all hospitals to be covered by 2018. To this end, they will make use of the available Technical Assistance support.

To assess the performance of health care providers, both public and private, EOPYY will continue to collect and publish relevant data on a monthly/quarterly basis. By June 2016, the authorities will develop an assessment of public sector capacity by region and by specialty and will use this to review the need for commissioning private providers per region; and they will develop a new electronic record for patients. By August 2016 they will develop a new system of electronic referrals to secondary care based on e-prescription and the electronic record and allowing the monitoring of waiting times. By June 2017, the authorities will develop a plan to pre-approve referrals to private sector providers based on the electronic patient record, the system of electronic referrals and the mapping of public sector capacity. Over the next three years, the authorities will develop therapeutic protocols for the patient care pathways (primary and secondary care) for the pathways that have the greatest therapeutic and cost implications, to be implemented through the e-prescription system.

The authorities will closely monitor and fully implement universal coverage of health care and inform citizens of their rights in that regard and they will proceed with the roll out of the new Primary Health Care system and the issuing of an MD as envisaged in Law 4238 by December 2015. To this end, they will make use of the available Technical Assistance support. [If only technical assistance could replace the complete lack of funding necessary to enact "universal coverage".]

2.5.3 Social safety nets

The economic crisis has had an unprecedented impact on social welfare. The most pressing priority for the government is to provide immediate support to the most vulnerable to help alleviate the impact of the renewed downturn. Already, a package of measures on food, housing and access to health care has been adopted and is being implemented [against the troika's direct order not to introduce such assistance!]. In order to get people back to work, the authorities, working closely with European partners, have taken measures to boost employment by providing short-term work opportunities to 50.000 people targeting the long-term unemployed. [Once more, where will the funding come from? Answer: From cutting benefits elsewhere in the government's budget – since no new monies are available for work experience schemes.]

The Government will adopt by March 2016 a further series of guaranteed employment support schemes covering 150,000 persons, including the long term unemployed (29+), young people (16-29), and disadvantaged groups (including inter alia GMI beneficiaries) with individualised active labour market measures for participants, using local partnerships, involving the private and social economy sectors and ensuring efficient and effective use of the resources available. [Again: No new monies are involved. The troika's pet projects, e.g. GMI, will be funded by depriving other welfare and job support programs of their funding.]

A fairer society will require that Greece improves the design of its welfare system, so that there is a genuine social safety net which targets scarce resources at those in most need. [A fairer society will not, however, emerge if the new plans are un-funded, however brilliant and fair they may be!] The authorities plan to benefit from available technical assistance for the social welfare review and for the GMI implementation from international organisations. [Once more, if all this "assistance" came with funding for more than just the foreign 'experts', decent outcomes might have resulted years ago!]

i. The government commits as a **prior action** to agree the terms of reference and launch a comprehensive Social Welfare Review, including both cash and in-kind benefits, tax benefits, social security and other social benefits, across the general government, with the assistance of the World Bank, with first operational results to be completed by December 2015, targeted to generate savings of

½ percent of GDP annually which will serve as the basis for the redesign of a targeted welfare system, including the fiscally-neutral gradual national roll-out of the GMI. The overall design of the GMI will also be agreed with the institutions. [Where is the funding folks?]

ii. The Authorities by September 2015 will set out their detailed preparations for a gradual nationwide roll-out [it will be so gradual, due to the lack of funding, that no one will ever notice!] of a Guaranteed Minimum Income (GMI) scheme from 1 April 2016, including for the set up of a benefits registry and a strategy to ensure the inclusion of vulnerable groups and to avoid fraud. Close linkages with municipalities and employment services will be established.

iii. By January 2016, the authorities will propose and legislate reforms to welfare benefits and decide on the benefit rates of the initial GMI rollout in agreement with the institutions. [Message to poor Greeks: Do not count your blessings. There is no money for this rollout, unless other poor families are deprived of their benefits.] The design of the GMI will be closely based upon the parameters of the pilot schemes after the evaluation of the World Bank, with potential additional targeting of priority needs in the short-term in order to meet budgetary constraints. [Splendid, splendid. Sounds like a great opportunity for World Bank and Technical Assistance personnel to improve their CVs with no appreciable effect on Greece's poor.]

iv. By September 2016, the authorities will establish an institutional benefits framework to manage, monitor and control the GMI and other benefits. [What benefits? A interesting assumption is embedded in this paragraph, namely that GMI will be funded.] An evaluation of the performance of the GMI scheme will take place, with the objective of a full national rollout **(key deliverable)** by the end 2016. [Immediately afterward pigs will perform aerial somersaults over the Acropolis.]

3. Safeguarding financial stability

All necessary policy actions will be taken to safeguard financial stability and strengthen the viability of the banking system. [Bankers expect another big wad of money from Europe's taxpayers with no strings attached!] No unilateral fiscal or other policy actions will be taken by the authorities, which would undermine the liquidity, solvency or future viability of the banks. [Taxpayers expect no control over the bankers who will be receiving your money. Any attempt by the Greek government to hold bankers accountable has already been labelled “unilateral actions” and banned!] All measures, legislative or otherwise, taken during the programme period, which may have an impact on banks' operations, solvency, liquidity, asset quality etc. should be taken in close consultation with the EC/ECB/IMF and where relevant the ESM. [Here we go again: The Greek government commits not to legislate on anything without the creditors’ express permission. Sovereignty suspended as long as the nation is in debt bondage. Simple enough.]

By end-August 2015, the authorities will finalise a comprehensive strategy for the financial system which has deteriorated markedly since end-2014. [This is a beauty: The troika that began the bank run, in association with New Democracy and PASOK to impede SYRIZA’s rise to power, and which later on suffocated the state and closed down the banks, with detrimental effect on their capitalisation, are now implying that it was the SYRIZA government that caused the “deterioration”. Victor’s history, again.] The main focus of the strategy will be on restoring financial stability and improving bank viability by: (i) normalising liquidity and payment conditions and strengthening bank capital [i.e. mend the damage the troika caused in its bid to suffocate our government]; (ii) enhancing governance [by giving bankers more power!]; and (iii) addressing NPLs [only without the creation of an essential bad bank!]. This strategy will build on the strategy document from 2013 [which was the basis for the recapitalisation of Greece’s banks, at a cost to the taxpayer of 40 billion, which failed to do anything about NPLs, the result being zero credit flows into potentially profitable businesses], taking into account the changed context and conditions of the financial system, will include plans regarding the foreign subsidiaries of the Greek banks according to their updated restructuring plans as being approved by the European Commission, and will aim to attract international strategic investment to the banks and return them to private ownership in the medium term [i.e. hand over the banks shares, currently owned by the state, to private speculators at a fraction of the price the taxpayers paid].

Restoring liquidity and capital in the banking system

The authorities are committed to preserving sufficient liquidity in the banking system [i.e. reversing the liquidity squeeze with which the ECB suffocated our government, implementing the very European coup which led to PM Tsipras’ capitulation on 12th July.] in compliance with Eurosystem rules and to achieving a sustainable bank funding model for the medium term. In this context, banks will be required to submit quarterly funding plans to the Bank of Greece (BoG) so as to ensure continuous monitoring and assessment of liquidity needs. The authorities will monitor and manage the process for the easing of capital controls taking account of liquidity conditions in the banking system while aiming to minimise the macroeconomic impact of the controls. [Troika-speak for: We messed up already stressed banks to get you to surrender and now we will take our time to recapitalise them with your money but ensure that we, the troika, controls the process fully.]

A buffer of up to €25bn is envisaged under the Programme to address potential bank recapitalisation needs of viable banks and resolution costs of non-viable banks, in full compliance with EU competition and state aid rules. Following a forward-looking assessment of the four core banks' capital needs by the ECB and the submission of capital plans by the banks, any remaining identified capital shortfalls will be addressed fully by end-2015 at the latest. The Bank of Greece will assess the capital needs of other banks. The recapitalisation framework will be developed with a view to preserving private management of recapitalised banks and to facilitating private strategic investments. The law relating to government guarantees on deferred tax assets will be amended to minimise programme funding and limit the link between the banks and the state. [Prior to January 2015, the troika had earmarked 10.9 billion for further bank recapitalisations and kept it in the so-called HFSF waiting to uae it. In June 214 the IMF had estimated that the banks required up to another 20 billion, but the ECB and the Commission slammed the IMF down because it was politically problematic to admit that more than double was necessary to recapitalise them compared to the sum available at the HFSF. Once Syriza was in power and the troika triggered the bank run to overthrow our government, or to subdue it, the ECB began saying that more capital would be necessary, blaming it on the Syriza government. Now, with our government defeated, they admit that the banks need 25 billion, but blame this 'hike' totally on our audacity to want to challenge the troika for 5 months. Victor's history, once again.]

Resolution of Non-Performing Loans (NPLs)

While short-term actions to address the problem of high and rising NPL ratios will be specified below in this document, additional measures and actions may be needed in the future so as to resolve the NPLs of the banking sector. By end August 2015, the Bank of Greece will issue all necessary provisions to implement the Code of Conduct, after improvements in agreement with the institutions.

As a **prior action,** the authorities will: a) develop a credible strategy for addressing the issue of non-performing loans that aims to minimize implementation time and the use of capital resources, and draws on the expertise of external consultant(s) for both strategy development and implementation; b) adopt the following short-term reforms: (i) amendments to the corporate insolvency law to cover all commercial debtors, bring the law in line with international best practice including changes to promote effective rehabilitation of viable debtors and a more efficient liquidation process for non-viable debtors and reducing the discharge period to 3 years for entrepreneurs in line with the 2014 EC Recommendation [that is, instead of creating a bad bank, the emphasis will be on massive liquidation of businesses]; (ii) amendments to the household insolvency law [i.e. foreclosures and auctions will be the instrument with which to reclaim some of the NPLs in an economy lacking…. buyers. Social deprivation and the conflict is a guaranteed repercussion] to introduce a time-bound stay on enforcement in line with cross country experience; establish a stricter screening process to deter strategic defaulters from filing under the law, include public creditor claims in the scope of the law providing eligible debtors with a fresh start, tighten the eligibility criteria for protection of the primary residence [that is, reduce the protections on primary residences], and introduce measures to address the large backlog of cases [i.e. speed up the process of evicting families and liquidating businesses] (e.g. increasing the number of judges and judicial staff, more frequent hearings, prioritization of high value cases, and short-form procedures for debtors with no assets and no income), (iii) improve the judicial framework for corporate and household insolvency matters by adopting appropriate legal instruments to establish specialized chambers both for household and corporate insolvency cases [i.e. find ways of denying weaker parties the right to be represented at court or the right to appeal]; (iv) adopt legislation to establish a regulated profession of insolvency administrators, not restricted to any specific profession and in line with good cross-country experience [i.e. enlist in the liquidation process accountants and privateers who will fast track liquidation and foreclosures]; (v) adopt provisions to re-activate of the Government Council of Private Debt, establishing of a Special Secretariat to support it.

By end-October 2015, **(key deliverables)**, drawing on the expertise of an external consultant, the Bank of Greece will deliver a report on segmentation of NPLs on banks' balance sheets and an assessment of banks' capacity to deal with each NPL segment. The HFSF in cooperation with BoG will provide an analysis to identify non-regulatory constraints and impediments (e.g. administrative, economic, legal etc.) to the development of a dynamic NPL market. [Nb. By restricting this to the HFSF and the Bank of Greece, the Ministry of Finance is sidelined – and Parliament loses any oversight in what will prove a major political issue over the next few years.] By the same date, a working group, drawing on independent expertise and cross-country experience, will examine and recommend specific actions to accelerate NPL resolution, including by removing any unnecessary legal or other impediments to NPL servicing and disposal while protecting vulnerable households consistent with the Code of Conduct established by the Bank of Greece [i.e. protection for the weak will fall in the purview of unelected Bank of Greece operatives, unaccountable to Parliament]. The authorities will establish by law a Debt Information network and Debt Information Centre, providing legal and economic debt advising [e.g. advice of the sort: "your home will be foreclosed upon, here are telephone numbers of various homeless shelters that you can try!]

By end-November 2015 **(key deliverable)**, the Government will strengthen the institutional framework to facilitate NPL resolution, including (i) appointing and training an adequate number of additional judges (based on targeted caseload) and judicial staff for both corporate and household insolvency cases; (ii) commencing implementation of the law establishing the insolvency administrator profession (by enabling effective accreditation as well as supervision and monitoring of insolvency administrators, and a fee structure that incentivizes sustainable rehabilitations of viable firms and rapid liquidation of non-viable firms) [i.e. while this MoU's macroeconomic impact will bring on massive new insolvencies, it has the audacity to claim that stressed firms will be rehabilitated by means of a fee structure that "incentivises" the new bailiff profession, with vulture funds hovering overhead.]; (iii) establishing of a Credit and Wealth Bureau as an Independent Authority that will identify lenders payment capabilities for the facilitation of banking institutions, (iv) amending the out-of-court workout law so as to encourage debtors to participate while ensuring fairness among private and public creditors; (v) fully operationalising the specialist chambers for corporate insolvency within courts. The Government will establish a permanent social safety net [with non-existent funds, since the recapitalisation kitty of 25 billion will not spare a penny for this safety net], including support measures for the most vulnerable debtors and differentiating between strategic defaulters and good-faith debtors. The HFSF in consultation with BoG will identify mechanisms and processes to accelerate NPL resolution [again leaving the Ministry of Finance out of the picture, and using only troika-controlled institutions, such as the BoG and HFSF]. The HFSF will nominate an executive board member and an internal team dedicated to the new objective of facilitating banks' NPL resolution. The Bank of Greece will engage a single special liquidator to ensure individual liquidators are delivering effectively against operational targets. Performance based remuneration scheme will be introduced for all special liquidators in *consultation* with HFSF to maximise recovery. [Performance-based remuneration? How is 'performance' determined? Greater remuneration the more homes or businesses they help liquidate?]

By December 2015 (**key deliverable**) the authorities will introduce coordination mechanisms to deal with debtors with large public and private debts [i.e. those who have fled the country some time ago and whose ill gotten capital is safely resting in Switzerland, London or Frankfurt] firstly by segmenting commercial debtors with large public debts according to viability status and secondly by adopting legislation to facilitate fast-track liquidation of unviable entities by end-March 2016 and completion of the clean-up process by end-December 2016.

By end-February 2016 (**key deliverable**), upon receiving banks' proposals, the Bank of Greece will agree with banks on NPL resolution operational targets including for example loan restructuring, creation of joint ventures and banks will report quarterly from June 2016 to the BoG against key performance indicators. The HFSF will also apply NPL resolution performance criteria to banks' management against operational targets agreed between banks and the Bank of Greece. The HFSF will present and implement an NPL resolution action plan to enhance coordination among banks and accelerate the restructurings of the large corporates, and if needed jointly tackle entire economic sectors. [i.e. the absence of a public asset management company, a bad bank, will ensure that the banks are left in complete control of a publically funded process that they have an interest to skew in their interest and against the interests of the social economy at large.]

By end-March 2016, BoG will revise the Code of Conduct for debt restructuring guidelines to deal with groups of borrowers (e.g.: SMEs) on the basis of clear criteria to segment retail portfolios and introduce in coordination with the HFSF fast-track mechanisms including standardized assessment templates, restructuring contracts, and workout solutions.

By end-June 2016, the authorities commit to assess the effectiveness of the insolvency legal and institutional framework and introduce any necessary amendments [if any homes or businesses are left standing by then to be protected by the "necessary amendments"…].

Governance of the HFSF

The independence of the HFSF will be fully respected and its governance structure reinforced, with a view to preventing any political interference in its management or activities. [Troika-speak for: The troika will control the HFSF even more tightly than before and ensure that Greek elected representatives have no capacity to influence the HFSF. One example of what is meant is that the Minister of Finance will no longer have the capacity to do as I did a few months ago: decide to cut the exorbitant wages of HFSF management. The troika retains the right to reward richly its blue eyed boys and girls at the HFSF, using funds extracted from the suffering Greek taxpayers, while at the same time insisting on harsh austerity for everyone else. A splendid example of the colonial nature of this MoU.]

By mid-October 2015 **(key deliverable)**, the HFSF law will be amended so as to (i) bring the law into line with the BRRD transposition and the new recapitalization framework to be developed (ii) to reinforce the HFSF's governance arrangements in line with the Euro Summit statement especially by changing the selection and appointment process , in particular, (a) a new procedure for the selection and appointment of members in the Executive Board and General Council will be designed by end September 2015 which will imply a greater role for the Institutions than in the past [They are not even trying to hide it: A greater role for the troika than in the past! Which means that the already severely circumscribed role for Greece's elected officials will disappear altogether]; (b) a Selection Panel will be set up, composed of six independent [of the Greek government but selected by the troika] expert members, of which three appointed by the EU institutions - including the chairman with a casting vote in the event of a tie - , and three appointed by the authorities (two by the Ministry of Finance and one by the Bank of Greece). The Ministry of Finance, the Bank of Greece, the European Commission, the ECB and the ESM will each have an observer to the Selection Panel [The Greek government will have an… observer! How large of the troika to allow us to observe!]. The Selection Panel will be assisted by an international recruitment consultant selected by the Panel (c) the Minister of Finance will nominate from the candidates shortlisted by the Panel (d) the Panel will also define the remunerations and other conditions of employment including evaluation and dismissal process. The Law will also ensure that (i) remuneration and other conditions of employment are competitive so to attract high-quality international candidates for HFSF management positions [i.e. to ensure that their chosen people get paid obscenely high salaries in the context of a shrinking, suffering, recession-hit population] (ii) to include powers, criteria and procedures for the HFSF to review and change - if needed – the boards and committees of banks under its control [i.e. the troika takes full control of banks without paying a euro toward their recapitalisation – to be funded through direct increases in Greece’s public debt]; and (iii) to increase transparency and accountability of the HFSF through annual publication of strategies and semi-annual reporting of performance against key objectives (iv) include, among the HFSF objectives, the facilitation of banks' NPL management.

By end-March 2016, to increase HFSF transparency and accountability, they will publish an operational strategy annually and report on performance against this strategy semi-annually starting from June 2016.

Governance of banks

The Government will not intervene in the management, decision-making and commercial operations of banks, which will continue to operate strictly in accordance with market principles. [i.e. The troika will run them, in cahoots with the bankrupt bankers, using resources provided by the permanently ‘generous’ Greek taxpayer who will get no powers to control what the bankers are up to – even when their activities jeopardise the taxpayers’ livelihood; e.g. foreclosures, liquidation.] The board members and senior management of the banks will be appointed without any interference by the Government [and under the direct control of the troika plus the bankrupt bankers]. These appointments will be made in line with EU legislation and best international practices, taking into account the specific rules in the HFSF law as regards the rights of the private shareholders who participated in the banks’ capital increases under the existing framework [i.e. privateers who contributed a small percentage of new capital get all the power while the taxpayers that gave the bulk of the fresh capital get no power at all]. The HFSF ensures through the amended Relationship Framework Agreements that as of the financial year of 2016 the external auditors' contracts with the banks can be to a maximum of five consecutive years. [i.e. The big five usual suspects will take turns to audit the four systemic banks. It is as if 2008 never happened!]

By end-February 2016 **(key deliverable)**, the HFSF with the help of independent international consultant will introduce a program to review the boards of the banks in which the RFAs apply. This review will be in line with prudent international practices by applying criteria that go beyond supervisory fit and proper requirements. By end-June 2016, following the review by the HFSF of the board members along the process described above, members may be replaced in a manner that ensures banks' boards include at least three independent international experts with adequate knowledge and long-term experience in relevant banking and no affiliation over the previous ten years with Greek financial institutions; these experts will also chair all board committees. [This would be a welcome development if it were not for the fact that these "independent experts" will be appointed by the bankers themselves, together with their HFSF associated.]

By October 2015, the need for any measures, in addition to those indicated above, will be explored to ensure that bank governance is sufficiently strengthened to be fully independent and in line with international best practice. [Nb. "strengthened governance" and "fully independent" mean one thing in troika-speak: No say for the Greek government and no accountability to Greece's Parliament.]

4. Structural policies to enhance competitiveness and growth

4.1 Labour market and human capital

In recent years, major changes have been made to Greek labour market institutions and wage bargaining systems to make the labour market more flexible. [Of course, the Greek labour market can hardly be made more flexible. Half a million Greeks have not been paid for 6 months, another 800 thousand work on zero hour contracts, an unspecified but very large number work on paper part time, for 300 euros, but in reality put in 40 hours of work per week for no extra money, let alone the undeclared labour that has dessimated the tax take and the pension funds. The last thing the Greek labour market needs is more… flexibility.] The Greek authorities are committed to achieve EU best practice across labour market institutions [French or Latvian?] and to foster constructive dialogue amongst social partners. The approach not only needs to balance flexibility and fairness for employees and employers, but also needs to consider the very high level of unemployment and the need to pursue sustainable and inclusive growth and social justice [something that requires the kind of collective bargaining the troika has been kicking and screaming against]. The government has committed as a **prior action** to reverse the legislation of the after-effect of agreements legislated in art 72 of 4331/2015 of 2 July 2015. [i.e. the government has capitulated on the one, small move it made toward restoring a modicum of labour market fairness.]

Review of labour market institutions. The Government will launch by October 2015 a consultation process led by a group of independent experts to review a number of existing labour market frameworks, including collective dismissal [i.e. the troika is relentless in its pursuit of the right of bankers to fire overnight large numbers of employees], industrial action [which the troika wants effectively banned] and collective bargaining [which the troika has struggled to keep of the statutes once the previous government abolished it], taking into account best practices internationally and in Europe [again: France or Latvia?]. Further input to the consultation process described above will be provided by international organisations, including the ILO. The organization, terms of reference and timelines shall be agreed with the institutions [Aha! So, the troika is the final decision maker on labour market legislation – just in case there was any doubt!]. Following the conclusion of the review process, the authorities will bring the collective dismissal and industrial action frameworks and collective bargaining in line with best practice in the EU [France or Latvia? Can someone answer this simple question?]. No changes to the current collective bargaining framework will be made before the review has been completed [i.e. the Greek government commits to ditch its firm commitment to return to workers the right to bargain collectively]. Changes to labour market policies should not involve a return to past policy settings which are not compatible with the goals of promoting sustainable and inclusive growth. [i.e. French trades unions beware: Policy settings that allow for worker protection along the lines of collectively bargained contracts are deemed inconsistent with growth. If this is accepted in the case of Greece, against all evidence (since it is clear that the demise of collective bargaining has worsened employment and growth prospects), there will be spill over effects in other member-states, France in particular.]

Undeclared work. By December 2015, the authorities will adopt an integrated action plan **(key deliverable)** to fight undeclared and under-declared work in order to strengthen the competitiveness of legal companies and protect workers as well as raise tax and social security revenues. This will include improved governance of the labour inspectorate and specify technical assistance. As a first step, the authorities will link the tax, ERGANI and social security fund reporting framework to detect undeclared work. [Can't wait to see this action plan! Given that the labour inspectorate has, and will acquire, no new resources, it is hard to see how undeclared labour will be diminished without collective bargaining and in an economic environment further weakened by the new tax increases]

Vocational training. Furthermore, consistent with the 2016 budget and to deliver the modernisation and expansion of vocational education and training (VET), and on the basis of the reform adopted in 2013 (Law 4186/2013), the

Government will by December 2015 **(key deliverable)**: (i) legislate a modern quality framework for VET/Apprenticeships, (ii) set up a system to identify skills needs and a process for upgrading programs and accreditation, (iii) launch pilots of partnerships with regional authorities and employers in 2015-16 and (iv) provide an integrated implementation plan from the Ministry of Labour, the Ministry of Education, and OAED to provide the required number of apprenticeships for all vocational education (EPAS and IEK) students by 2016 and at least 33% of all technical secondary education (EPAL) students by 2016-2017; (v) ensure a closer involvement of employers and a greater use of private financing. Regional public-private partnerships will be run during the academic year 2015-16. [Straight out of the manifesta of neoliberal training programs, which train workers for non-existent jobs in order to take them off the unemployment register for a few months.]

Capacity building. Over the medium term, the capacity of the Ministry of Labour will be strengthened in terms of policy formulation, implementation and monitoring in order to increase the its ability to deliver welfare reforms, active labour market policies, and achieve the front-loading of the Structural Funds. This will include improving the public employment services through the completion of the re-engineering of OAED. Existing labour laws will be streamlined and rationalised through the codification into a Labour law Code by end 2016 **(key deliverable).** [A touching belief in the capacity of a “strengthened” bureaucracy to make amends for a broken labour market in the midst of a debt-deflationary cycle…]

Technical assistance. for the effective implementation of the reform agenda, including labour market reform, VET and capacity building of the Ministry of Labour, the authorities will use technical assistance, benefiting *inter alia* from expertise of international organisations such as the OECD and the ILO. [More technical assistance in the absence of essential funding…]

Education. The authorities will ensure further modernization of the education sector in line with the best EU practices, and this will feed the planned wider Growth Strategy. The authorities with the OECD and independent experts will by April 2016 prepare an update of the OECD's 2011 assessment of the Greek education system. This review will cover all levels of education, including linkages between research and education and the collaboration between universities, research institutions and businesses to enhance innovation and entrepreneurship (see also section 4.2). *Inter alia*, the review will assess the implementation of the 'new school' reform, the scope for further rationalisation (of classes, schools and universities), functioning and the governance of higher education institutions, the efficiency and autonomy of public educational units, and the evaluation and transparency at all levels. The review shall propose recommendations in line with best practices in OECD countries. [Without a single fresh euro spent on education, of course.]

Based on the recommendations of the review, the authorities will prepare an updated Education Action Plan and present proposals for actions no later than May 2016 to be adopted by July 2016, and where possible measures should enter into force in time for 2016/2017 academic year. In particular, the authorities commit to align the number of teaching hours per staff member [i.e. make demoralized, underpaid teachers teach longer hours], and the ratios of students per class and pupils per teacher to the best practices of OECD countries to be achieved at the latest by June 2018. The evaluation of teachers and school units will be consistent with the general evaluation system of public administration. The authorities will ensure a fair treatment of all the education providers, including privately owned institutions by setting minimum standards [i.e. give privileges to private schools and shift the burden of education onto parents].

4.2 Product markets and business environment

More open markets are essential to create economic opportunities and improve social fairness, by curtailing rent-seeking and monopolistic behaviour, which has translated into higher prices and lower living standards. In line with their growth strategy, the authorities will intensify their efforts to bring key initiatives and reform proposals to fruition as well as enrich the agenda with further ambitious reforms that will support the country's return to sustainable growth, attract investments and create jobs.

The authorities will legislate as **prior actions** to:

i. implement all pending recommendations of the OECD competition toolkit I, except OTC pharmaceutical products, Sunday trade, building material and one provision on foodstuff; and a significant number of the OECD toolkit II recommendations on beverages and petroleum products; [i.e. the troika insists on the implementation of a OECD 'toolkit' which the OECD has already denounced. While Minister of Finance, I agreed with the SG of the OECD, Mr Angel Gurria, to ditch Toolkits 1&2 in favour of a new reform program that the Greek government and the OECD would design, implement and monitor together. The troika was livid! They lashed out at the OECD for daring "interfere" in its attempt to impose ridiculous product market reforms on Greece. Angel Gurria and I met in Paris to seal our agreement. But when our government capitulated to the troika, the troika took their revenge by including in this MoU the OECD toolkits that the OECD has declared null and void. Why did the troika do this? Is it because they have reason to believe that toolkits 1&2 are appropriate for Greece? Of course not. The troika reinstated them to demonstrate who is boss!]

ii. open the restricted professions of notaries, actuaries, and bailiffs and liberalize the market for tourist rentals; [Now that bailiffs will have a field day I suppose it makes sense to 'liberalise' them!]

iii. eliminate non-reciprocal nuisance charges and align the reciprocal nuisance charges to the services provided; [As mentioned above, let's see if they abolish the most significant nuisance charge: the aggeliosimo that benefits media owners hugely, at the expense of advertisers, as it allows them not to make any contributions to the journalists' pension fund. Something tells me that this particular nuisance charge will prove too much of a… nuisance to abolish!]

iv. reduce red tape, including on horizontal licensing requirements of investments and on low-risk activities as recommended by the World Bank, and administrative burden of companies based on the OECD recommendations, and establish a committee for the inter-ministerial preparation of legislation.

On *competition*, the authorities will by October 2015 implement remaining recommendations of the OECD toolkit I on foodstuff and of the OECD toolkit II [here we go again on the troika's obsession with Toolkits 1&2] on beverages and petroleum products and launch a new OECD competition assessment in wholesale trade, construction, e-commerce, media and rest of manufacturing. By June 2016, the Government will adopt legislation to address all identified issues in such assessment **(key deliverable).** By December 2015, the authorities will legislate the OECD competition toolkit I recommendation on OTC pharmaceutical products with effectiveness as of June 2016 **(key deliverable)**. By June 2016, the authorities will fully adopt the pending OECD toolkit 1 recommendation on building material. The authorities will liberalise Sunday trade following the forthcoming State Council ruling. The authorities commit to continue with regular competition assessments in additional sectors over the next three years. The advocacy unit of the Hellenic Competition Commission will be strengthened by twelve additional posts and a review will be conducted with the support of the Commission and international expertise to ensure that the Competition law is in line with EU best practice. [More staff for the Competition Commission is a good thing. But will they get more powers to tackle the oligarchs?]

On *investment licensing*, by September 2015, the Government will adopt a roadmap for the investment licensing reform, including prioritization. The authorities will adopt secondary legislation according to this prioritization by June 2016 **(key deliverable)**, and proceed with other reforms in line with the roadmap.

On *administrative burden*, by November 2015, the Government will adopt the pending OECD recommendations on environment and fuel trader licenses. In addition, by June 2016, the authorities will further reduce administrative burden, including through one-stop shops for business **(key deliverable)**. By June 2016, the Government will fully implement the law on better regulation. [Meaning? Regulation that regulates the small, family owned firms opening up the road, again, for their take over by chain stores that then corner the market and use transfer pricing to defraud the tax office, depress wages and push price-cost margins up via oligopolistic practices write large?]

On *competition, investment licensing and administrative burden* the Government will by October 2015 launch an ex-post impact assessment of selected reforms and their implementation and identify by June 2016 the remaining measures needed for their full implementation **(key deliverable)**.

On *regulated professions*, in order to remove unjustified and disproportionate restrictions, the Government will submit by October 2015 the Presidential Decree on reserved activities of civil engineers and related professions (**key deliverable**), and will adopt the recommendations of an external advisor by December 2015 **(key deliverable)** and the recommendations of the inter-ministerial committee, based on other recent reports, by February 2016.

On *trade facilitation*, the Government will streamline pre-customs procedures by December 2015. In addition, with the participation of public and private stakeholders, the authorities will update the trade facilitation action plan for the national single window and adopt an export promotion action plan by December 2015 and proceed subsequently with their implementation. The Government will make institutional changes for post-clearance audits and restructure the risk analysis department in line with WCO recommendations by March 2016, and complete the customs reorganisation by September 2016 **(key deliverable)**. On anti-smuggling, the authorities will establish three mobile enforcement teams by September 2015, adopt a comprehensive strategy to tackle fuel and cigarette smuggling based on an effective interagency cooperation by December 2015, and fully install the inflow-outflow system in the tax and customs warehouses tanks by June 2016, and will fully equip with scanners the three main international ports by December 2016, **(key deliverable)**, ensuring that each of these ports has at least one scanner by March 2016. [These recommendations have been in place since 2011. They were never implemented because fuel smugglers happen to be high up in the food chain and because the state could not afford the necessary equipment. What will change now?]

On *land use*, by September 2015, the Government will reconvene the inter-ministerial spatial planning committee, with participation of the independent experts. Based on its advice and in agreement with the institutions, the Government will propose in October 2015 a time-bound roadmap for selected improvements of the spatial planning law, including on parts of the land use categories, and for the full adoption of secondary legislation by June 2016 in order to ensure that the legislation effectively facilitates investment, and streamlines and shortens planning processes while allowing for the necessary safeguards. If there is no agreement on the necessary changes, the 2014 spatial planning law will be fully implemented (**key deliverable**). The authorities will adopt the Presidential Decree on forestry definitions by December 2015 and fully implement the forestry law by July 2016. In addition, the authorities will by February 2016 adopt the legal framework for nationwide cadastral offices on the basis of the business plan, the experience of the two pilot offices and recent technical assistance advice and ensure adequate financial independence and administrative capacity of the cadastral agency (**key deliverable**). [The Green Movement should take note here. While it is true that land use must be regulated better in Greece, these 'moves' are pregnant with the danger that forests will be privatised, developed and destroyed. In conjunction with constant threat of privatising our shores, the measures in this technical paragraph will require constant vigilance.]

On the link between *education and research and development*, the Greek authorities are committed to launch a comprehensive consultation process following the review of linkages between education and R&D (see under Section 4.1 'Education') with a view to implement recommended best practices. The organization and the timeline for the consultation shall be drawn up by [October 2015]. [Tokenism, tokenism, tokenism. Where will the funding for research, let along education, come from? Our universities are bankrupt and business is living a hand to mouth existence. Fine, empty words.]

On *agriculture*, the authorities will adopt a competitiveness strategy by December 2015.

This will include: a) the improvements in the EU funds absorption; b) improvements in the measures aiming at improving the marketing of agricultural products marketing, including the immediate reform of market permits andto improve consumer access to farm products, the establishment of a Greek foods initiative for exports;to promote and manage export distribution networks, and c) structural reforms introducing a new framework for agricultural co-operatives, encouraging structural reforms that favour young and active farmers and introduce a new framework for agricultural co-operatives, greater aggregation of agricultural exploitation, and a programme to improve resource efficiency improvements in the use of in energy and use, water resource management and good agricultural practices financed through EU funds. [All good. Let's wait and see how any of this will be implemented.]

On *structural funds*, the authorities will by October 2015 implement in full Law 4314/2014 on European Structural and Investment Funds, adopt all delegated acts indispensable for the activation of the available funds and put in place all ex-ante conditionality.

On *technical assistance*, the authorities intend to launch immediately a request for support in three critical areas: a competition assessment in wholesale trade, construction, e-commerce, media and rest of manufacturing with support of the OECD; the investment licensing reform with support of the World Bank; and a new round of administrative burden reduction. As a next step, with support of technical assistance, the authorities intend to assess the implementation of the reforms in the areas of competition, administrative burden and investment licensing. Furthermore, in order to ensure an effective reform implementation, the authorities will use technical assistance in other areas as needed, including through Commission services, Member State experts, international organisations, and independent consultants. This includes regulated professions, trade facilitation, export promotion, land use, education and R&D, agriculture and structural funds. [There is clearly a great deal of troika interest to secure jobs for their boys and girls, to send them to Greece for job experience purposes as technical advisers. May they be welcome – despite their cost to the Greek and European taxpayer - and prove more helpful than their predecessors were over the past five years.]

4.3. Regulated Network Industries (Energy, Transport, Water)

Energy

The Greek energy markets need wide-ranging reforms to bring them in line with EU legislation and policies, make them more modern and competitive, reduce monopolistic rents and inefficiencies, promote innovation, favour a wider adoption of renewables and gas, and ensure the transfer of benefits of all these changes to consumers.

As **prior actions,** the authorities will adopt the reform of the gas market and its specific roadmap, leading *inter alia* to full eligibility to switch supplier for all customers by 2018, and notify the reformed capacity payments system (including a temporary and a permanent mechanism) and NOME products to the European Commission. [i.e. introduce competition in a thin gas market in which no real competition can be had, given its size and economies of scale. Still, some business interest will be helped here, no names mentioned.]

By September 2015, the authorities will implement the a full scheme for the temporary and permanent capacity payment system; modify electricity market rules to avoid that any plant is forced to operate below their variable cost, and to regulate according to the final decision of the Council of State on the netting of the arrears between PPC and the market operator; begin implementation of the gas market reform according to the agreed timeline, whilst prioritising distribution tariffs; implement interruptible contracts as approved by the European Commission; revise PPC tariffs based on costs, including replacement of the 20% discount for energy-intensive users with tariffs based on marginal generation costs, taking into account consumption characteristics of customers that affect costs **(key deliverable)**.

In September 2015, the authorities will discuss with the European Commission the design of the NOME system of auctions, with the objective of lowering by 25% the retail and wholesale market shares of PPC, and to bring them below 50% by 2020, while having reserve prices that capture generation costs and being fully compliant with EU rules. In case it is not possible to reach an agreement on NOME by the end of October 2015, the authorities will agree with the institutions structural measures to be immediately adopted leading to the same results mentioned above in terms of market shares and timelines **(key deliverable)**. In any case, by 2020 no subject will be able to produce or import, directly or indirectly, more than 50% of total electricity produced and imported in Greece **(**legislation to be adopted as **prior action)**. [i.e. No planning for turning to green energy, away from Greece's lethal reliance on lignite. Instead, a touching belief in the powers of competition/privatisation to succeed in the Greek electricity industry when it failed so spectacularly everywhere else – see Britain, California etc.]

By October 2015, the authorities will: a) take irreversible steps (including announcement of date for submission of binding offers) to privatize the electricity transmission company, ADMIE, unless an alternative scheme is provided, with equivalent results in terms of competition and prospects for investment, in line with the best European practices and agreed with the institutions to provide full ownership unbundling from PPC **(key deliverable)**. [This is crucial. The Greek government has opposed privatisation. It has now committed to it, with a fig leaf (behind which to hide for a few months) that allows it to claim that it is in the business of finding an alternative to privatisation that delivers the same 'outcome', conditional on the troika's approval that this 'alternative' is as good as privatisation; an approval that will never come, thus guaranteeing privatisation.] To this end, the authorities have sent the first proposal to the institutions in August 2015; b) review energy taxation; c) strengthen the electricity regulator's financial and operational independence; d) transpose Directive 27/2012 on energy efficiency adopting the legislation already submitted to Parliament.

By December 2015, the authorities will approve a new framework for the support of renewable energies, while preserving financial sustainability, and for improving energy efficiency, making best use of EU funds, international official financing and private funding, and introduce a new plan for the upgrade of the electricity grids in order to improve performance, enhance interoperability and reduce costs for consumers. The authorities will start the implementation of the roadmap for the implementation of the EU target model for the electricity market, to be completed by December 2017 **(key deliverable)**; in this context, the balancing market will be completed by June 2017 **(key deliverable)**. [A paragraph empty of content, as there is no serious planning for renewables and the EU funding available is piecemeal and, judging by the past four years of experience, hopelessly ineffective in the absence of a comprehensive green energy plan.]

The authorities will make use of technical assistance for designing the new framework on renewable energies and energy efficiency. [Excellent! More technical assistance.] Other important areas where assistance will be used, both for legislation and for regulation, are the implementation of the gas market reform and the transition to the EU target model for the electricity market [whatever that means!].

Water utilities

A stable regulatory regime is key for allowing much needed investment in the water networks and to protect consumers in terms of pricing policies. [Greece has very cheap water utilities. Any tampering with them along the lines of a neoliberal approach will produce price hikes and offer speculators a new vista of pleasure that they do not deserve and the country cannot afford. Still, the troika is determined to bring them in.] The Government will, with assistance from EU technical assistance [Great!], launch by December 2015 the actions needed to implement fully the regulatory framework for water utilities based on the methodology completed by the Special Secretariat of Water in 2014 taking into account the current legal framework; it will also aim to enhance and strengthen further the water regulator in order to enable it to take needed independent regulatory decisions (June 2016, **key deliverable)**.

Transport and logistics

On transport and logistics, the authorities will by June 2016 adopt a general transport and logistics master plan for Greece covering all transport modes (road, railways, maritime, air and multi-modal) and a time-bound action plan for the logistics strategy, as well as implementing legislation of the logistics law **(key deliverable)**. On maritime transport, by [October 2015], the Government will align the manning [how about "personnel", instead if "manning"? Sexism rules OK in the troika corridors] requirements for domestic services with the one for international lines, while respecting best-practice safe manning principles, and adopt the legislative changes.

The Port regulator will become fully operational by June 2016. The Government will adopt the Presidential Decree setting out the operational structures of the regulator by [October 2015] **(key deliverable)**. The Government will seek technical assistance to define the tasks of the port regulator, the role of the port authorities, and to prepare its internal regulations and needed laws to be adopted by March 2016 in order to ensure its full functionality. [Greece has had perfectly functioning ports since antiquity. It is offensive to impose upon the Greek authorities "technical assistance" on this matter. But then again, the troika takes pleasure in giving offence to the Greek authorities. So be it…]

In support of this reform agenda on network industries, the authorities intend to use technical assistance as needed, including on the strengthening of regulators and on logistics. [More technical assistance. Just what the doctor ordered!]

4.4 Privatisation

Privatisation can help to make the economy more efficient and to reduce public debt. While the privatisation process has come to a standstill since the beginning of the year, the Government has now committed to proceed with an ambitious privatisation program and to explore all possibilities to reduce the financing envelope, through an alternative fiscal path or higher privatisation proceeds.

To preserve the on-going privatisation process [which has proven a major disaster in every conceivable way – from the prices fetched to the rate at which the privatisations that occurred were overturned by the European competition commission and the Greek Council of State] and maintain investor interest in key tenders, the Hellenic Republic commits to proceed with the on-going privatisation programme. The Board of Directors of the HRADF has already approved its Asset Development Plan (ADP) which includes for privatisation assets under HRDAF as of 31/12/2014. [This puts paid to the widely publicised view that the government has managed to change the troika's privatisation agenda. Clearly, the agenda active on 31st December 2014, prior to our election, has been adopted by this government. Period.]

The implementation of this programme aims to generate annual proceeds (excluding bank shares) for 2015, 2016 and 2017 of EUR 1.4bn, EUR 3.7bn and EUR 1.3bn, respectively.

As **prior action**, and to re-launch the privatisation programme the Government will adopt these measures:

i. The authorities will endorse the Asset Development plan approved by HRADF on 30/7/2015. The ADP is attached to this Memorandum as annex and constitutes an integral part of this agreement. The ADP will be updated on a semi-annual basis and approved by HRADF; and the Cabinet or KYSOIP will endorse the plan.
ii. The Government and HRADF will announce binding bid dates for

Piraeus and Thessaloniki ports of no later than end-October 2015, and for TRAINOSE ROSCO, with no material changes in the terms of the tenders;

iii. The authorities will take irreversible steps for the sale of the regional airports at the current terms with the winning bidder already selected;

iv. The authorities will conclude around 20 selected pending actions identified.

[In other words, the SYRIZA government will eat its words, and criticism of the previous privatisation (or, more precisely, fire sale) agenda and commit to its full and immediate implementation. See blow]

The Government commits to facilitate the privatization process and complete all needed Government actions to allow tenders to be successfully executed. In this respect it will complete all actions needed as agreed on a [quarterly] basis between HRADF, the institutions and the Government. The List of Government Pending Actions has been approved by the Board of Directors of the Hellenic Republic Asset Development Fund and is attached to this Memorandum as an Annex and constitutes an integral part of this agreement.

In line with the statement of the Euro Summit of 12 July 2015, a new independent fund (the "Fund") will be established and have in its possession valuable Greek assets. The overarching objective of the Fund is to manage valuable Greek assets; and to protect, create and ultimately maximize their value which it will monetize through privatisations and other means. [This is important. For it puts Greece's public assets out of the hands of Greece's elected officials, denying Greek governments any instrument for utilising public assets in order to generate home-grown investment funding and/or implementing socio-economic policies outside the neoliberal framework.]

The Fund would be established in Greece and be managed by the Greek authorities under the supervision of the relevant European Institutions. [i.e. the troika has consented to basing the Fund in Athens as long as it maintains full control of it, precisely as it maintains full control of the HFSF, the Bank of Greece, the General Secretariat of Publid Revenues and ELSTAT.] The Fund is expected to fulfill its objective by adhering to international best practices in terms of governance, oversight and transparency of reporting standards, and compliance.

By October 2015 the authorities shall appoint an independent Task Force [i.e. independent of the government and fully dependent on the troika] to identify options and prepare recommendations on the operational goals, structure and governance of the Fund to be created. The Task Force would report by December 2015, and the government, in agreement with the institutions, will take steps to implement the recommendations by March 2016 (**key deliverable**). The mandate and composition of the Task Force would be drawn up by the authorities, in agreement with the European Institutions and in consultation with the Eurogroup. The authorities may request technical assistance on this matter. The mandate of the Task Force will include:

1. Identifying the possible assets which could be part of a new Fund and the best options for their monetization: particular attention would be paid to extracting value from the real estate assets of the Hellenic Republic including those already held by ETAD.
2. Identifying appropriate governance arrangements of the new Fund, including whether there should be specific sub-entities for different types of assets within the Fund drawing upon, where relevant, the experiences of entities such as Hellenic Republic Asset Development Fund (HRADF) and ETAD; whether such existing entities would be reformed and maintained separate to the Fund, terminated upon conclusion of their mandate, or absorbed into the new Fund.
3. Putting forward a proposal for the transition to the new Fund to ensure continuity from the previous arrangements, including the possible transfer of assets within the Asset Development Plan.
4. According to the Euro Summit Statement the monetization of the assets will be one source to make the scheduled repayment of the new loan of ESM and generate over the life of the new loan a targeted total of EUR 50bn of which EUR 25bn will be used or the repayment of the recapitalization of banks and other assets and 50% of every remaining euro (i.e. 50% of EUR 25bn) will be used for decreasing the debt to GDP ratio and the remaining 50% will be used for investments. The Task Force will identify options and make recommendations on how this will be operationalized.

[This is tragic. This Fund will never, ever generate 25 billion euros, especially after the current spates of privatisations are completed and these valuable public assets are dispensed with in a fire sale. (Even if by some miracle it generates more than 25 billion, the next 12.5 billion will be paid to Greece's creditors. Only after that will the state get some pennies to invest in growth.) Which means that the Fund's income will be all used up to repay the new state debt on behalf of bankers. So, this is what will happen: Take the case of a public asset that the Fund sells or leases for X euros. These euros will be used to repay part of the recapitalisation of some bank, say Pireus. In essence, Greek taxpayers will have liquidated an asset of their for X euros to give to Pireus bank in exchange for shares that will end up in the HFSF (the Hellenic Financial Stability Fund). Only these shares have no voting rights, which means that the private shareholders of Pireus will not see their power over the bank diluted even by one euro. Additionally, following the troika-imposed "strengthening of the HFSF's governance", the Greek government has committed to never changing the legal framework governing the HFSF and, thus, to never regaining the right to give voting rights to the shares the taxpayers paid for through the liquidation of the Fund's asset. Lastly, note the complete loss of national sovereignty involved in this "public asset monetisation": It will be handled by a Fund and end up in shares owned by the HFSF both of which (Fund and HFSF) are totally under the thumb of the troika. Never before has a state been taken over so fully with the consent of its Parliament!

Could things be different? See Appendix 1 for the proposal I had put to our European partners prior to our government's capitulation. See also here for a relevant article.]

5. Options for a legislative framework that would be adopted to ensure transparent procedures and adequate asset sale pricing, according to OECD principles and standards on the management of State Owned Enterprises (SOEs) and best international practices. Particular attention will be paid to maximising the value generation of the Fund's assets and to avoid circumstances of asset sales below their fair value. [The 'fair' value to be decided, of course, by troika-led committees in tune with the interests not of Greece but of its creditors …]
6. Based on international best practises, assess possible strategies to be designed and executed to monetise the assets through privatisation and other means; and examine options for the professional management of the assets.
7. Examine statistical classification of the new entity in terms of general government classification and in particular the implications for the issuance of debt or guarantees to ensure that these would not burden gross Greek debt or create contingent liabilities for Greek taxpayers.

5. A modern State and Public Administration

5.1. Public administration

The authorities intend to modernise and significantly strengthen the Greek administration, and to put in place a programme, in close collaboration with the European Commission, for capacity-building and de-politicizing the Greek administration. [Key word: “de-politicising”. It is one thing to work toward taking party politics out of public administration. And quite another to de-politicise what is a fundamentally political process. “De-politicisation” is a favourite Brussels’ strategy for denying member-states sovereignty, shifting political power to a Brussels’ based technocracy and thus produce particularly toxic politics.]

To this extent, building on the letter sent on July 20th by the authorities to the European Commission, a comprehensive three-year strategy for reform will be defined by December 2015 **(key deliverable)** in agreement with the European Commission, and making the best use of all available technical assistance. [Thank goodness for that!] The main elements of this strategy will be the reorganisation of administrative structures; rationalisation of administrative processes; optimisation of human resources; strengthening transparency and accountability; e-government; and a communication strategy. Key deliverables will be stronger coordination of policies, better recruitment processes for managers, HR planning to timely assess and fulfil the hiring needs; a fiscally-neutral reform of the wage grid, a modern performance assessment system; strengthening of policy units in key sectors; a substantial upgrade of the role of local government at both tiers with a view to reinforcing local autonomy and rationalising the administrative structures of local authorities; rationalisation of SOEs and locally-owned enterprises; and modernization of recruitment procedures; improved mobility in the public sector to promote better use of resources.

As **prior actions,** the authorities will align non-wage benefits such as per diems, travel allowances and perks, with best practices in the EU, effective 1 January 2016. [If it does, it will increase costs substantially in view of the fact that, currently, state employees are often offered next to no assistance when they travel from one part of the country to another on official business.] By September 2015, the authorities will adopt through legislation the restructuring plan for 'OASA - Transport for Athens' agreed with the institutions **(key deliverable)**. [OASA, the public transport utility of Athens has always been a troika target. The troika intensely dislikes the relatively low fees and the thick network of buses and other means of transport that have helped Athenians overcome chronic market failures. Breaking it up, privatising, and generally reducing its accounting cost – at huge social cost – is part of the planning here.]

By October 2015, the authorities will reform the unified wage grid, effective 1 January 2016, setting the key parameters in a fiscally neutral manner and consistent with the agreed wage bill targets and with comprehensive application across the public sector, including decompressing the wage distribution across the wage spectrum in connection with the skill, performance, responsibility and position of staff **(key deliverable)**; and align leave arrangements with best practices in the EU. [This is an announcement that the state's lowest wages will be cut further. This is the only logical conclusion of the combination of wage "decompression" and fiscal neutrality.] By 2018 the current "klados" system will be reformed to have a better articulation of job descriptions that will be reflected in the wage grid. The authorities will adopt legislation by November 2015 to issue all secondary legislation to implement the wage grid reform and by June 2016 to rationalise the specialised wage grids with effect in 2017.

Drawing on international expert advice coordinated by the European Commission, the authorities will: i) by (October 2015), review and start implementation of legislation for selecting managers **(key deliverable)**. The selection of new managers will be completed by the end of 2016, with Directors General to be selected by December 2015 and Directors by May 2016. The reform will base recruitment of managers on merit and competence, de-linking technical implementation from political decision, and will also modify the statutes of Secretaries General and other top-tier levels in public entities, including SOEs, in order to provide for de-politicization and better institutional memory, while ensuring effectiveness and appropriate delegation of powers; ii) by November 2015, legislate the new framework for assessing performance of all employees, to build a results-oriented culture.

By October 2015, the authorities will establish, within the new MTFS, ceilings for the wage bill and the level of public employment consistent with achieving the fiscal targets and ensuring a declining path of the wage bill relative to GDP during the period 2016-2019 **(key deliverable)**. [The crudity of it all! This commitment ensures that fiscal neutrality becomes a holy cow without any consideration of the impact of hirings on output/results. For example, no account is taken of the fact that hiring more tax inspectors may boost tax revenues. Or of the effect of hiring more archaeologists on the the speed of generating construction licences, and hence state revenue.] To this end, the authorities commit to continue the attrition rule in 2016 while the ratio for the years 2017-2019 will be set in the MTFS adopted in October 2015. For following exercises, the attrition rule will be subject to annual revision in the context of the MTFS exercise, for the years following the next (t+2).

By November 2015, the existing Secretariat General for Coordination will be strengthened to ensure effective planning and coordination of governmental work, of legislative initiatives, of monitoring of implementation of reforms, and of arbitrage functions on all policies.

By December 2015, the authorities will introduce a new permanent mobility scheme. [This will restore the hated scheme by which state employees were selected, by shoddy criteria, for sidelining, with a major pay cut, awaiting their re-assignment.] The scheme will promote the use of job description and will be linked with an online database that will include all current vacancies. Final decision on employee mobility will be taken by each service concerned. This will rationalize the allocation of resources as well as the staffing across the General Government.

The authorities will continue to identify illegal hires and temporary injunctions, as well as disciplinary cases, and take appropriate enforcement action.

The authorities will engage, with the help of technical assistance, in a programme to improve access to law by the citizen. This includes a long term plan of codification of the main legislations which will be proposed by March 2016 and fully implemented by June 2018. The programme also includes the creation of an electronic portal giving access to legislation, both in the form published in the Gazette (FEK form) and in the consolidated version of the various provisions by December 2016.

5.2 Justice

The authorities have adopted on 22 July 2015 the new Code of Civil Procedure, which will become effective as of 1/1/2016. The authorities will implement the revised Code of Civil Procedure, in accordance with the requirements set out in the transitional provisions of Article 1 (Ninth Article) of Law 4335/2015 and the roadmap for the implementation of the revised Code of Civil Procedure to be finalized by September 2015.

The authorities will rationalise and introduce a selective increase of court fees, as well as increase transparency in this regard (October 2015). The authorities will propose measures to ensure access to justice by vulnerable persons (December 2015). [Given the wholesale immiseration of Greek society this means that either the higher court fees will be waived for most or that access to justice will be restricted to the few.]

The authorities will propose measures to reduce the backlog of cases in administrative courts by [September 2015] and in civil courts by [October 2015]; they will agree on an action plan with European institutions including technical assistance on e-justice, mediation and judicial statistics (October 2015).

The authorities will propose by [November 2015] and subsequently implement a three years strategic plan for the improvement of the functioning of the justice system. The plan should encompass key actions aimed at enhancing judicial efficiency, speeding up judicial proceedings and addressing shortcomings in the functioning of courts such as, but not limited to, collecting information on the situation of the courts, computerization, developing alternative means for dispute resolution, such as mediation, rationalizing the cost of litigation and improving in court functioning and court management.

5.3 Anti-corruption

The authorities will as a **prior action** update and publish a revised Strategic Plan against corruption; and they will implement it according to its timeline.

The authorities will adopt by October 2015 legislation insulating financial crime and corruption investigations from political intervention in individual cases in particular by amending the provisions of article 12 of the law 4320/2015 and by setting up a system to ensure proper coordination, prioritization of investigations and sharing of information between investigation bodies through a Coordinating Body Chaired by Finance and Corruption Prosecutors.

The authorities will amend and implement the legal framework for the declaration of assets (October 2015) and the financing of the political parties on key weaknesses such as the composition of the committee common to both legislation, the anonymous donations, limitation on seizures and transferability of public financing and absence of definition of tax deductibility rates (November 2015); the authorities will conduct an assessment of the reduction of penalties for financial crimes provided by law 4312/2014, and amend it if needed (November 2015); they will adopt a draft code of conduct for members of Parliament (March 2016).

The Government commits to implementing fully and timely the GRECO recommendations.

The authorities will continue to pursue technical assistance with the European Commission SRSS in the fields of anti-corruption where it was already provided.

[Corruption is rampant in Greece. It comes in two forms. Micro-corruption and macro-corruption. The former concerns small sums and involves individuated officials, small business proprietors etc. Macro-corruption centres upon the Triangle of Sin: Banking, Procurement and the Media. For five years the troika has not targeted Macro-corruption while the key players involved in Macro-corruption were cheerleaders of the troika program. Indeed, they have been central in assisting the troika, from within Greece, to defeat out government. Only by a miracle will the troika now turn against Macro-corruption!]

5.4 Statistics

The Government will fully honour the Commitment on Confidence in Statistics signed in March 2012 by implementing all envisaged actions, including respecting international statistical standards; guaranteeing, defending and publicly promoting the professional independence of ELSTAT; and supporting ELSTAT in upholding confidence in Greek statistics and defending them against any efforts to undermine their credibility, as well as reporting annually to the Hellenic Parliament and to the European Commission.

Government fully respects the independence of ELSTAT in carrying its tasks and providing high quality statistics. In this regard it respects the financial independence of ELSTAT, and provides all the necessary resources in a timely manner, as approved in the annual budget of ELSTAT, for the agency to complete uninterrupted its tasks.

The Government will ensure that by September 2015 ELSTAT has access to administrative data sources in line with the Law (specify 2014 law) and Memorandum of Understanding signed on [specify data and protocol] between ELSTAT, the Ministry of Finance (GSIS), the Secretary General for Public Revenues and the Ministry of Labour.

The Government as a **prior action** will launch the process for appointing a President of ELSTAT in line with law […].

[Note that nothing is said here about the ownership of the data provided to ELSTAT. Generic data should be owned by issuing organisations and only provided to ELSTAT for processing. Tax and expenditure data, in particular, should always remain the property of the Ministry of Finance, even after the creation of an independent tax authority. Another crucial, missing point concerns the capacity of ELSTAT to tighten austerity and influence fiscal policy. For instance, any amendment of the primary surplus number, as things currently stand, immediately compel the government, in order to stay within this MoU's terms, to raise taxes or reduce spending. Control over ELSTAT suddenly becomes control over the degree of imposed austerity. This is why the troika is ever so keen to retain full control of the process by which the President and staff of ELSTAT are appointed. As an example, consider this: During the January to June 2015 negotiations, ELSTAT changed the method by which it computed defence expenditures, giving the troika the right to demand even higher tax increases.]

APPENDIX 1: How public assets ought to be utilised – Our (shunned by the troika) proposals of May 2015

Homegrown, Investment-led Growth

Greece's economy needs to be kick-started. While reforms are essential, and long-term recovery will need to be financed privately, getting the flow of investment funding going will require an initial boost. It will also require a vehicle for dealing efficiently with the voluminous non-performing loans that currently block the credit system.

Central to the Greek government's thinking is that the nation needs to help itself before it seeks the help of others. To this effect, Policy 1 below is designed to make use of Greek public assets as seed-capital that crowds in public and private investment from abroad:

POLICY 1: LEVERAGING UP STATE OWNED ASSETS TO FUND INVESTMENT-LED RECOVERY & GROWTH: The Greek government is determined to break the debt-deflationary cycle (driven by and leading to greater austerity) while achieving fiscal sustainability. To do so it will attempt to utilise optimally existing public assets.

Investment spending is the key to restoring growth as:

- It modernises the industrial and infrastructural base, creating secondary effects of productivity gains and growth
- It closes the output gap and generates demand-driven growth
- It crowds in additional investment spending from public and private sources e.g. the EIB (see Policy 2 below), the Juncker plan, EBRD and the structural adjustment programs

By designing an investment program that turns on leveraging existing state owned assets we has two additional advantages:

- Greece demonstrates to its partners its willingness to assume the main burden of the investment program funding by contributing most of its state owned assets
- By focusing the investments into efforts to modernise and restructure the assets owned by the state, any future privatisation is substantially boosted, contributing more towards fiscal consolidation.

The proposed state asset based investment and growth program will involve:

- Bundling of assets that can be potentially envisaged as non-public into a central holding company to be separated from the government administration and to be managed as a private enterprise entity with the goal of maximising the value of its underlying assets. The Greek state will be the sole shareholder, but will not guarantee its liabilities or debt.
- Assets will include: ports, airports, land, real estate, energy assets, utilities assets e.g. water, gas, electricity grid, traffic infrastructure, licenses, offshore and onshore mining rights (gas, oil, and metals etc.), state owned companies and all other assets which can potentially be put to private management. Exceptions from this list would be only those assets relevant for the country's security, public amenities, and its cultural heritage sites.
- The total value of these assets is currently estimated to be in excess of 70 billion euros – taking into account the depressed nature of all asset prices in Greece due to the ongoing crisis/negotiation.
- This holding company will issue a fully collateralised bond on the international capital markets with a volume of between 30 and 40 billion euros which will be invested into modernising and restructuring the assets under its management.
- The investment program will run over 3 to 4 years and thus will result in additional spending of 5% of GDP per annum. Under the current macroeconomic conditions it is expected that the investment program will have a positive growth multiplier above 1.5. This in turn should boost nominal GDP growth to a level of above 5% for several years inducing proportional increases in tax revenues and contributing to fiscal sustainability, while enabling the Greek government to exercise spending discipline without further shrinking the social economy. Under such growth prospects, the primary surplus will achieve 'escape velocity' magnitudes in absolute as well as percentage terms over time.
- Within a year or two, the holding company will be granted a banking license, thus turning itself into a fully fledged development bank capable of crowding in private investment to Greece.

The program will have a deeper impact on debt reduction by boosting privatization returns through a number of levers:

- The asset value should increase by more than the actual amount spent on modernisation and restructuring. This can best be achieved by designing the program as a portfolio of public-private partnerships whose value is boosted according to the probability of future privatisation.
- The assets will be privatised later, but in an environment of strong economic growth which in itself has a large impact on the asset valuation.
- The proposed timeline allows for the selection of the appropriate buyer, from the perspective of transparency and propriety, eliminating the

pressure to effect a quick sale. Thus future revenues will also be boosted.

Under fairly general assumptions, simulations demonstrate that, even under adverse scenario, the combination of investment-led growth plus accrued future private revenues has the potential to bring Greece's deficit and debt ratios well within the Maastricht criteria within a short period of time. Thus the program substantially improves fiscal sustainability and reduces credit risk for our partners in the Euro group, the IMF and the ECB. Combined with the debt management proposal in PART C, Policy 1 has the potential to end, once and for all, Greece's debt crisis.

POLICY 2: SPECIAL EUROPEAN INVESTMENT BANK (EIB) PROGRAM FOR GREECE: The Greek authorities are already in discussions with the EIB to spearhead an EIB special investment package for Greece. The Greek government envisages that the European Council gives the 'green light' to the European Investment Bank to embark upon such a *Special Investment Program for Greece* that is fully funded by a special issue of EIB bonds (waiving the requirement of national co-funding), with the ECB providing secondary market coverage for the latter (in the context of its QE program) – to be administered by the EIB and the EIF in cooperation with a new holding company described in Policy 1 above, in collaboration with EFSI, the Hellenic Investment Fund, the EBRD, KfW and other European investment vehicles, and in conjunction with new privatisations (e.g. ports, railways)
Cost of Policy 2: No cost to taxpayers or for Greece's creditors. EIB operates on purely banking criteria and, on this occasion, stands to benefit from Greece's rapid economic growth and rise in asset prices.
Benefits of Policy 2: The 'announcement effect' of Policy 2 (even before any investment funding is provided), especially when combined with the other policies, will be to crowd in substantial investments and, inevitably, to investment-led growth.

Areas where EIB funding can be channelled profitably, in conjunction with the homegrown investment funding described in Policy 1 above, include:

- Specialised tourism, including tours tied to educational, cultural and agrarian projects
- Innovative pharmaceutical industries, taking advantage of Greece's location, EU membership and human capital
- Logistics benefitting from an integrated approach to investment on ports, rail, road and industrial park developments
- Green energy
- Banking services for the Balkans, the Near East and the Black Sea

POLICY 3: BANKING ASSET MANAGEMENT VEHICLE: Set up a vehicle to manage efficiently the banking sector's voluminous non-performing loans.

Cost of Policy 3: It will depend on which tranches of the banks' non-performing loans are swapped with the new vehicle's assets. The Greek government envisages that the seed capital will be provided from the HFSF's remaining funds.

Benefits of Policy 3: First, the state's equity in the banks stands to appreciate sharply. Secondly, credit will begin to flow again, adding to the recovery brought about by Policies 1,2 and 4.

APPENDIX 2: Our proposals (April 2015) for a truly independent, but accountable to Parliament, tax and customs authority

A proposal for an independent Hellenic Customs and Taxes Service (HECS)

Purpose: To create an IRS-like, self-governing Hellenic Customs and Taxes Service (HECS) to replace the General Secretariat of Public Revenues currently quasi-autonomous within the Finance Ministry

a. Current situation: According to the provisions of law No. 4093/2012, some minimum conditions of autonomy of GSPR were set in 2012. After that, there were various legislative changes and functions' transfers as well as delegation of powers from the Minister and the Deputy Minister of Finance. The main problem with the current structure is that greater autonomy of GSPR would lead to the indefensible situation where the Minister has next to no authority over the actions of GSPR but retain political responsibility over it. To overcome this unacceptable combination of the Minister's responsibility-*sans*-authority, the government is proposing the creation of a fully self-governing and independent Hellenic Customs and Taxes Service (HECS) answerable directly to the Hellenic Republic's Parliament.

b. Proposed measures: The following administrative structure and procedures are proposed:

The Permanent Parliamentary Committee responsible for HECS – PPC-HECS

- Establishment of a Permanent Parliamentary Committee responsible of HECS - (PPC-HECS) that makes all decisions on the basis of enhanced majority (e.g. 2/3 of its members)
- PPC-HECS appoints HECS's Board of Governors, including the Governor General, as well as an Audit Advisory Committee (see below)
- At an annual open hearing members of PPC-HECS have an opportunity to interrogate the Governor General on any matter pertinent to her or his duties and to HECS's overall function.

Board of Governors and Governor General

- After an open and transparent professional recruitment process, PPC-HECS appoints, by 2/3 majority of its members, the Governor General of HECS who is given responsibility for appointing another four members of the Board of Governors. Members of the Board of Governors serve fixed, non-renewable terms.

- The Governor General and the Board of Governors are responsible for the administration of HECS, are answerable to PPC-HECS, report annually to Parliament and are subject to permanent audits, supervision and advisory circulars from the Audit Advisory Committee
- HECS's Board of Governors can draw upon Greek and foreign experts, including representatives of the European Commission and other member-states that have offered Greece help in revamping its tax collection mechanism.
- HECS has its stand alone budget as well as a capacity to retain a portion of tax revenues to be determined by Parliament following PPC-HESC's recommendations
- The Governor General and members of the Board of Governors shall be protected by the law for their acts during the exercise of his competences and be prosecuted in the cases that it is proven they have act inappropriately. This legislative protection should be similar to that which currently applies for the protection of Ministers, Board Chairpersons of Public Law Entities, etc. There will also be a provision for legal aid of the Board of Governors in case of litigation by taxpayers from actions committed in the line of Board's duties.

Audit Advisory Committee

- PPC-HESC also appoints a three member Audit Advisory Committee (AAC) whose remit is to subject the HECS's Board of Governors to professional scrutiny and to report regularly to PPC-HESC regarding propriety and efficiency issues related to the HECS's functioning
- AAC reports quarterly to PPC-HECS on all matters relating to the functioning of HECS
- AAC provides advice for the decision making as well as for monitoring or supervision topics (currently provided by the central entities of the government), human resources, the implementation of strategic and operational plans, performance of administration, organizational changes, and the implementation of the HECS's budget.
- It will monitor and report on the performance contract of the Governor General, and will submit final reports on her/his performance at the end of her/his contract.

Personnel

- All personnel are public servants, recruited and promoted through the normal channels of the Greek public service (e.g. ASEP, service councils). Special training courses and processes are the responsibility of the Board of Governors and their appointed committees
- The Board of Governors is responsible for setting up committees that select personnel from the pool of public sector employees and place

them at their discretion. Personnel no longer required to serve HECS revert to the broader public sector

- Salaries of employees selected for serving within the HECS can be topped up at the discretion of the Board of Governors
- HECS is offered exemption from selected constraints regarding procurement.

Operational independence

- HECS shall not be commanded to carry audits from entities such as Inspector General of Public Administration, Inspectors-Controllers of Public Administration, Prosecutors, etc. Any requests for carrying controls shall be addressed to the Board which will deliver an opinion for the necessity and urgency of actions and depending on the availability of the existing human resources. In addition, the past cases of audit orders received by third parties could be reviewed from a risk analysis perspective in order to assess which cases are of interest and be audited.
- All existing auditing and investigative services (e.g. SDOE) will be incorporated within HECS.