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TFGR - TASK FORCE FOR GREECE

TASK FORCE FOR GREECE

SIXTH ACTIVITY REPORT

MARCH 2014

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1.	INTRODUCTION.....	5
2.	TECHNICAL ASSISTANCE IN INDIVIDUAL POLICY FIELDS	8
3.	KEY AREAS FOR PROGRESS:.....	17
4.	USE AND DELIVERY OF TECHNICAL ASSISTANCE – STATE OF PLAY.....	19
ANNEX 1: DETAILED PRESENTATION OF TECHNICAL ASSISTANCE IN INDIVIDUAL POLICY FIELDS.....		
20		
1.	ACCELERATION OF COHESION POLICY PROJECTS	20
2.	ACCESS TO FINANCE / FINANCIAL SECTOR	24
2.1.	Liquidity Instruments supported by Structural Funds	24
2.2.	Structuring dialogue between stakeholders	25
2.3.	ETEAN.....	26
2.4.	Insurance.....	27
2.5.	Potential new instruments to provide additional support:	27
2.5.1.	Support schemes to enhance lending by the banking sector	27
2.5.2.	Institution for Growth in Greece (IfG)	27
2.5.3.	Supporting the implementation of a microfinance pilot project.....	28
2.6.	Accompanying policy measures	28
3.	CENTRAL AND LOCAL ADMINISTRATION REFORM	28
3.1.	Overall Governance of the central Reform	28
3.2.	Reorganisation of the Ministries and public entities	29
3.3.	HR Reform	29
3.4.	Administrative reform at the local and regional levels	30
3.5.	Digital Strategy and E-Government	31
4.	REVENUE ADMINISTRATION AND PUBLIC FINANCIAL MANAGEMENT:	32
4.1.	Revenue Administration:.....	32
4.2.	Public Financial Management (PFM):	33
4.3.	Hellenic Court of Audit:	33
5.	ANTI-CORRUPTION AND ANTI-MONEY LAUNDERING:	34
5.1.	Anti-Money Laundering	34
5.2.	Anti-Corruption	36
6.	BUSINESS ENVIRONMENT:.....	37

6.1.	Increasing exports by simplifying procedures and setting an export promotion strategy:.....	37
6.2.	Reform of customs administration:	37
6.3.	Facilitating new investment:.....	38
6.4.	Improving the functioning of public procurement:	38
6.5.	Removing regulatory barriers to business and competition:	39
6.6.	Liberalising access to and exercise of regulated professions:	40
7.	PUBLIC HEALTH	41
7.1.	Strategic vision	41
7.2.	"Health in Action": Health Reform Steering Committee and Sub-Committees.....	41
7.3.	Contribution Agreement with the WHO	42
7.4.	Support to the implementation of policies agreed in the Economic Adjustment Programme.....	42
8.	REFORM OF JUDICIAL SYSTEM:	42
8.1.	Task force for the review of the code of civil procedure	42
8.2.	Extra-judicial mandatory administrative review of cases	43
8.3.	Alternative Dispute Resolution (ADR) Mechanisms	43
8.4.	E-Justice	43
9.	LABOUR MARKET, SOCIAL SECURITY, INNOVATION AND EDUCATION	44
9.1.	Youth Guarantee.....	44
9.2.	Public Employment Service - OAED.....	44
9.3.	Labour Inspectorate - SEPE	45
9.4.	Social Safety Net	45
9.5.	Innovation.....	45
9.6.	Education.....	45
10.	MIGRATION, ASYLUM AND BORDERS	46
11.	PRIVATISATION AND LAND REGISTRY	47
11.1.	Public Real Estate.....	47
11.2.	Land Administration/Cadastre.....	47
11.3.	Airports	47
11.4.	Ports Privatisation.....	48
11.5.	Water Utilities	48
11.6.	Central State Aid Unit (CSAU).....	48

12. ENERGY, TRANSPORT, ELECTRONIC COMMUNICATIONS, ENVIRONMENT.....	48
13. MONITORING COMPLIANCE WITH EU LAW	50
ANNEX 2: WORKING METHODS OF THE TASK FORCE FOR GREECE	51
1. OVERVIEW OF ACTIVITIES.....	52
2. PROVISION OF SHORT-TERM EXPERIENCE.....	53
3. PROVISION OF LONG-TERM EXPERIENCE.....	54
4. DOMAIN LEADER.....	55

Sixth Activity report of the Task Force for Greece

March 2014:

1. INTRODUCTION

The Task Force for Greece (TFGR) mobilises and coordinates the technical assistance (TA) requested by the Greek authorities as they seek to implement structural reform commitments under the Economic Adjustment Programme. The TFGR also works to accelerate the targeted absorption of EU Structural funds.

Structural reforms and the full use of EU funds are both critical to restoring Greece to a path of sustained economic growth, competitiveness and employment. The policy conditionality under the second Economic Adjustment Programme includes a very comprehensive and far-reaching set of growth-enhancing structural reforms. Structural reforms facilitate the economic adjustment by creating the necessary dynamism to ensure the required reallocation of resources, create conditions for investment and regain competitiveness vis-à-vis trading partners. Structural funds are vital resources to boost economic competitiveness, job creation and social progress. These two objectives underpin all TFGR activities to support the wide range of Greek reforms described in this report.

The technical assistance provided by the TFGR is a resource available to the Greek authorities, as they seek to strengthen their public administration, modernise their regulatory system and lay the foundations for a new growth model based on enterprise and investment in line with the Economic Adjustment Programme. The period October 2013 to January 2014 witnessed sustained technical assistance coordinated by TFGR, and further dialogues with Greek authorities to discuss how implementation of reforms could benefit from additional assistance. Important policy reforms, which have benefited from continuous technical assistance since the inception of the TFGR, are now delivering results (see box). TFGR technical assistance helps to build the administrative capacity to prepare and implement reforms for the better functioning of the economy, and to help the Greek administration to better serve the needs of its citizens.

Examples of high-impact reforms which have been supported by technical assistance:

Unlocking infrastructure investments: Work on 4 large motorways, with a combined value of EUR 7.6 billion, had been suspended for over 3 years due to the unprecedented economic crisis. Following protracted and complex negotiations, an agreement between the concessionaires and Greek Government was achieved and ratified by the Greek Parliament in December 2013. Following that, EU clearance was given and EU financial support confirmed. This paved the way for an effective restart of all four projects in 2014. It covers the construction of some important sections of the Ionian motorway, Maliakos-Kleidi, Elefsina – Korinthos – Patra, and Central Greece motorway running through various regions and upgrading or connecting to existing sections of the PATHE motorway (the Patra-Athens-Thessaloniki which is part of the Trans-European Transport Network). Throughout this process, TFGR has advised the Greek authorities in their negotiations with the different parties, and facilitated communication of the revised terms for the motorway concessions with other European Commission departments.

Reform of central government administration: the TFGR and the French domain leader have supported Greece to design more efficient reform of central government ministries and bodies. Technical assistance has contributed to setting up the framework of a new inter-ministerial coordination General-Secretariat under the Prime Minister's authority. It has supported the design of a more comprehensive 2-year action plan for central administrative reform, including a focus on the HR policy still to be adopted by the Government Council of Reform (GCR). Support was also provided to the process for evaluating the structures of Greek administrative bodies, in particular ministries, including recommendations for reorganization. It has helped to design the procedures to be adopted for selecting the top managers (Directors-General, Directors, Heads of Departments). It has contributed to the preparation of an e-Government strategy to be adopted by the Government Council of Reform (as a major component of the Greek Digital strategy).

Revenue administration: Technical assistance facilitated and/or provided by IMF, TFGR and the Commission's Directorate-General for Taxation and Customs Union, with the help of Member States has been supporting a variety of far-reaching changes, including the definition of a new organizational set-up enabling a greater control of headquarters over the network of local tax offices, adoption and implementation of a new Tax Procedure Code, and adoption of new tools for collection (e-garnishment).

Anti-money laundering and anti-corruption: implementation of most of the agreed actions of the national anti-corruption strategy has begun, supported by technical assistance. Training in anti-money laundering techniques has been provided to over 700 officials. Technical assistance has enhanced the capacity of the Financial Intelligence Unit, resulting in the reporting of 1446 cases of suspected tax evasion to the authorities, transmission of 405 cases to the Prosecutor's Office and freezing of assets worth EUR 170 million since early 2012.

Barriers to competition: TFGR gave extensive support to the assessment carried out by the OECD to remove/simplify legislation which limits competition in key sectors of the Greek economy: food, retail trade, building materials and tourism. Adopting the OECD's 329 recommendations to remove poorly designed regulation and correct disproportionate interventions in the economy, will have significant advantages for Greece: they will benefit consumers with lowering prices, they will contribute to improving labour productivity and job creation, equip Greek companies so they can compete more effectively on the European and global markets. Conservative estimates quantified at some EUR 5.2 billion the annual positive effects on consumer surplus, increased expenditure and higher turnover in the four sectors, as a result of removing current regulatory barriers to competition. Based on the OECD report¹, the Greek authorities are preparing, in line with the Economic Adjustment Programme, an Omnibus Law amending current legislation to remove or reduce the obstacles identified by the OECD.

Public health: technical assistance from the TFGR and the WHO has been instrumental in developing a clear strategic vision for reforming the healthcare system. The strategy was launched successfully at the High Level Conference on Health in Action on 12-13 December 2013; its first concrete milestone was the approval - on 6 February 2014 –

¹ The OECD report can be accessed at: <http://www.oecd.org/daf/competition/Greece-Competition-Assessment-2013.pdf>

of the law on the purchaser/provider split of EOPYY (the national organization for health care services provision), a crucial step towards building an efficient primary healthcare service accessible to all.

Institution for Growth in Greece: significant steps have been taken to set up the Institution for Growth (IfG), which will help, to a considerable extent, the Greek economy and particularly Greek SMEs, to have better access to affordable credit. Greece adopted the legal framework for creating the Institution for Growth in December 2013. The Hellenic Republic will invest up to EUR 350 million in the IfG. Together with the commitment from the German KfW (EUR 100 million) there will be at least EUR 450 million available for financing the Greek real economy. In addition, The IfG should start its work in the first semester 2014.

Use of the EU Structural Funds: over the past two years, Greece has made significant progress on the absorption of structural funds, with major support from technical assistance provided by, and coordinated through, the TFGR. This helped the country to move, by late February 2014, to 4th place among all Member States with regards to the absorption rate for structural funds, up from the 18th place at the end of 2011. Particular attention was paid to digital convergence, transport, environment and labour.

Digital Convergence: after long and sustained efforts and the support of Jaspers facility², three major projects (digital school, e-ticket and Syzefxis) have been approved by the Commission. A fourth has been tendered by the Greek Authorities. In the case of the Digital School project (supplying schools with intelligent whiteboards and laptops), the TFGR carried out a comparative study assessing similar projects in a number of EU countries with a view of finding appropriate best practices. TFGR contributed to set up the necessary conditions to implement the three projects in an effective and efficient manner.

The above developments highlight the useful role that well-targeted and adequately resourced technical assistance can play in supporting the crucial reforms of the Greek economy under the Economic Adjustment Programme. Technical assistance remains an enabler of change. However, implementation of reforms depends critically on the use that is actually made of this assistance by the Greek authorities.

In some fields, technical assistance has not yet gained full traction as reforms have not yet advanced beyond the diagnostic or preparatory phase. Technical assistance can further facilitate the implementation of reforms with targeted support and can be provided upon the request of the Greek authorities. The full benefits of technical assistance will only be evident when adequately designed reforms have been implemented. Decisions on the financing of some of the technical assistance projects are still advancing rather slowly.

The Greek authorities should be resolute in building on this input so that citizens and businesses start to benefit from tangible improvements. This will require sustained commitment to strengthening administrative capacity, and implementing change over the coming years. Technical assistance, mobilised by the TFGR, can continue to support these efforts.

² JASPERS: Joint Assistance to Support Projects in European Regions, is a technical assistance facility for the EU countries. It provides the Member States concerned with the support they need to prepare high quality major projects, which will be co-financed by EU funds.

2. TECHNICAL ASSISTANCE IN INDIVIDUAL POLICY FIELDS

The programme of technical assistance coordinated by TFGR spans 12 broad policy fields, each comprising a number of sub-projects (see annex 2 for a presentation of the working methods of the TFGR and general statistics on technical assistance activity over this reporting period). The following sections describe the main developments in terms of delivery of technical assistance in each of these policy fields (see annex 1 for a detailed presentation).

(1) Acceleration of cohesion policy projects

In the context of the Economic Adjustment Programme, the Greek authorities undertook to make optimal use of the EUR 24 billion³ Structural Funds at their disposal. In particular, to meet the targets set in the Economic Adjustment Programme for disbursement of EU Structural Funds. The priority list with the 181 projects requires close monitoring to ensure completion on time and by the latest by December 2015. The Greek authorities have also committed to simplify administrative procedures and structures related to the management of Structural Funds. Technical assistance is provided on an ongoing basis to support all of this work.

In recent quarters, actual disbursement of Structural Funds has continued to increase, further to already significant progress in the first two quarters of 2013 and continues to comply with agreed targets.

In February 2014, the absorption rate (77.11%) remained well above the EU average (64.08%), placing the country in the 4th position at the EU level. This reflects a combination of sustained effort by the Greek authorities, the impact of the "top-up" regulation and the continuing introduction of simplification measures. In 2013, a realignment of funds took place to accommodate the co-financing of the motorway projects and to pursue the promotion of the public works scheme as stipulated in the Economic Adjustment Programme. Further action is needed, however, to improve the absorption rate of the European Agricultural Fund for Rural Development (EAFRD); to complete the still numerous uncompleted projects of the previous programming period 2000-2006 which benefitted from exceptional extension until end-2013; and to maintain the sustained efforts for the absorption of European Fisheries Fund (EFF). Technical assistance is increasingly focussed on ensuring that the impact of Structural Funds is felt in the real economy. To date, not all amounts committed have yet reached the final beneficiaries, and in particular SMEs. Therefore, technical assistance will continue to be directed towards further simplification of Structural Funds procedures in order to ensure that funding reaches projects in a timely and efficiently way, and so as to have a sound system in place for the new programming period.

Good progress has also been made on the implementation of the 181 "priority projects" referred to in the Economic Adjustment Programme. In particular, there has been major progress in breaking the log-jam on the motorway concessions projects. Following protracted and complex negotiations between the concessionaires and the Greek Government, an agreement was achieved and ratified by the Greek Parliament in December 2013.

³ 24.3bn€ represents the total available from the EU budget (20.2bn€), complemented by Greek national contribution.

Following that, EU clearance was given and EU financial support confirmed. This paved the way for an effective restart of all four projects in 2014. Work has now started on the reset of a fifth motorway concession (Moreas Motorway).

However, one third of the priority projects are still in danger of not being realized before the end of the programming period (December 2015), and among them some of the most emblematic for the country (e.g. cadastre) are seriously delayed.

In parallel, Greek authorities have invested heavily in the preparation of the new programming period, which started in January 2014. To date, the Greek authorities have not formally presented the Partnership Agreement for the period 2014-2020 and additional work is needed to finalize it. Having said this, they have made serious and sustained efforts – jointly with the appropriate European Commission services, including TFGR – to shape an ambitious strategic vision for the use of EU Structural and Investment Funds⁴ for the new programming period.

(2) Financial institutions/Access to finance

Restructuring and recapitalisation of the Greek banking system have been central to maintaining confidence in the stability of the financial system. Putting the banks on a sound footing is a necessary first step towards tackling the liquidity crunch which is choking the Greek economy. Against this background, TFGR efforts and technical assistance have continued to focus on improving access to finance through the banking system and improving liquidity flows, notably for SMEs.

Through a common discussion platform, TFGR has helped to facilitate the work of the key stakeholders i.e. banks, SMEs and public national and EU authorities (notably the Ministry of Development and the public financing agency ETEAN, but also EIB, EIF etc). The purpose of this regular dialogue is to address bottlenecks in the provision of access to credit, formulate proposals for improved support schemes for lending, notably through the use of Structural Funds, provide for solutions to enhance the transparency of the available financial instruments and formulate proposals on the removal of administrative hurdles.

Furthermore, TFGR has continued to support the work on setting up the "Institution for Growth" to fulfil financing needs that cannot be covered by the Greek banking sector, for which a law has passed the Greek Parliament in December 2013. It has also started to provide expertise to ETEAN in order to increase its risk management capacity. As a complement to improving access to finance for SMEs, TFGR is examining the overall regulatory and administrative landscape related to the operation of SMEs and intends to come forward with proposals for improvement and related technical assistance in the first semester of 2014.

In terms of disbursements of EU public funds, the European Investment Bank (EIB) provides global loans to banks up to EUR 1.44 billion of which EUR 300 million have already been disbursed, and a new trade finance facility gradually became operational.

⁴ Including now the Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF)

In the field of insurance, TFGR has been supporting the Bank of Greece with the provision of expertise by a number of Member States and the European Insurance and Occupational Pensions Authority (EIOPA) in the preparation of a legal framework for occupational pension schemes, notably within private insurance firms.

During the next quarter, TFGR will step up its efforts to devise support schemes aimed at facilitating the provision of loans by banks to SMEs; it will further assist the Greek government in the launch of the Institution for Growth and support improvements in the risk management capacity of ETEAN.

(3) Administrative reform

A key plank of the administrative reform is the overhaul and rationalisation of the central administration, including the quality of public services. In this respect, in January 2012, a roadmap for reform of the administration at central level was adopted by the Greek authorities, with the goal of building a leaner, better coordinated and more efficient state. The qualitative objectives of the roadmap have been further developed since then and framed by the deadlines and targets set in the Economic Adjustment Programme for Greece, including in terms of structures to be evaluated (all public entities to be assessed by December 2013, representing about 700,000 staff) or employees to be placed in the mobility scheme (25,000 employees to be placed in the scheme by December 2013), or in terms of selection and evaluation of management and staff. Up to June 2013, the authorities have initiated preparatory work on key qualitative elements for the central reform, drawing on extensive technical assistance from the TFGR and domain leader (France). For example, a methodology for evaluating and transforming the structures of the public entities was developed, and the evaluation of all ministries was conducted, leading to decisions of reorganization by the Government Council of Reform (GCR) at Prime Minister level.

Since July 2013, the reform has entered into the implementation phase and significant milestones of the Economic Adjustment Programme have been fully or partially met. Very substantial efforts have been deployed to meet the targets set in the Economic Adjustment Programme. Overall structures representing 700,000 staff had been evaluated (mainly on the basis of self-assessments) and staff have been placed in the mobility scheme (12,500 employees in December 2013 - with delays)

In parallel, the Greek administration has continued with the very significant rationalisation of the workforce based on the attrition rules (non-replacement of retirees), achieving significant results - the total number of employees in the general government fell from over 900,000 employees in December 2009 to fewer than 700,000 employees in December 2013.

Technical assistance was requested to support the actions necessary to ensure the efficiency and sustainability of the wide-ranging reform of the public administration. Actions supported by technical assistance include, as a main driver for the reform, the design of a two-year reform strategy and action plan for the reform to be adopted by the Government Council of Reform (GCR). In particular, technical assistance supported some of the components of this action plan, such as (1) the design of a Human Resources strategy for Greek officials, so as to manage civil servants' career paths and develop the managerial skill sets of managers and top managers (2) the development of procedures for selecting the top managers of the Greek Administration.

Technical assistance also supported the provision of best practices and advice to the staff of the inter-ministerial coordination General Secretariat (SGC) on how to best develop their newly assigned coordination role.

Further to technical assistance provided, the global Greek Digital Strategy and the e-Government Strategy (which is a key component of the Digital Strategy) are being developed and should be approved by the Government Council of Reform (GCR).

Various interconnected issues, e.g. the autonomy of local authorities, exercise of operational policy functions, organizational issues, coordination between local and central administration, form the basis of the administrative reforms at the local government level roadmap supported by TFGR. The operational plans for implementation of the different elements of the TFGR local government roadmap are being written by subcommittees under the guidance of the Greek Ministry of Interior. These plans are expected to be completed in the first quarter of 2014. In parallel, the domain leader (Germany) is identifying best practices that could be adapted to the Greek local government level.

To further support progress on reforms, the European Commission has signed an agreement with the German Gesellschaft für Internationale Zusammenarbeit (GIZ) to run a pilot programme in a selected group of Greek municipalities to test specific aspects of the reforms, for instance operational planning, evaluation of structures and personnel, and financial management. The pilot was launched in December 2013 and will last until July 2014. The European Commission also funded, in support of the Greek Ministry of Interior, a study of the possibilities of implementing New Public Management cost categorization principles and practices at the Greek local government level.

(4) Revenue administration and Public Financial Management

TFGR, together with the Directorate-General for Taxation and Customs Union (DG TAXUD) and the IMF, continued to provide technical assistance to help the Greek authorities construct strong state institutional machinery capable of ensuring sound financial planning and management, as well as improved collection of tax and other state revenues. This robust institutional underpinning is needed to ensure sound public finances and preserve the benefits of the recent achievements.

In the area of revenue administration, three additional European Commission resident advisors recruited under a TA agreement with the Belgian Technical Cooperation will work on priority areas identified by the Greek tax administration, in particular to strengthen expertise in the field of large taxpayer audits and tax fraud investigation. In addition, substantial progress was made in terms of organizational reform, with final choices being made on the new organisational structure of the General Secretariat for Public Revenue after extensive IMF-led TA. With participation of experts notably from Belgium and the Netherlands, TFGR continued to provide technical assistance in the fields of dispute resolution, debt collection, and VAT. In the coming months, TFGR will provide targeted assistance to the Greek authorities on the establishment of a tax fraud investigation and intelligence service.

In the area of tax policy, technical assistance mostly supported preparations for the implementation of the new Income Tax Code and Tax Procedure Code which entered into force in January 2014. In addition, the Greek Ministry of Finance is scheduled to adopt a text on the overhaul of Greek accounting rules in Q1 2014.

In the field of public financial management technical assistance work mostly undertaken by IMF experts has concentrated on the implementation of the Late Payment Directive and on the design and implementation of the Enterprise Resource Planning software. Another highlight over the last period has been the work on the organic budget law. The Greek General Accounting Office produced a first draft of the law, which benefited from an IMF Technical Assistance mission with TFGR participation in late October 2013. As was the case in previous reporting periods, technical assistance in the fields of fiscal reporting and social budget monitoring continued.

In addition to the sustained work on revenue administration and public financial management, technical assistance to the Hellenic Court of Audit, with Dutch Court of Audit as domain leader, also continued. During the reporting period, an annual audit program was developed, the financial audit capacity of the Hellenic Court of Audit has increased, and relations of the Hellenic Court of Audit with the Greek Parliament and other relevant stakeholders have improved. In November, workshops in these areas were organized and a high level mid-term review took place.

(5) Anti-money laundering and anti-corruption

Implementation of the Anti-Money Laundering training programme is progressing well. So far 700 participants have received different types of training. Greek investigators are now benefitting from "on-the-job" coaching for four individual investigations. In the meantime the indirect registry of bank accounts has been launched to provide effective support the Greek law enforcement. This is an important step forward since information on bank statements is now available for investigations within one day. Technical assistance, including training, has enhanced the capacity of the Financial Intelligence Unit, resulting in the reporting of 1,446 cases of suspected tax evasion to the authorities, transmission of 405 cases to the Prosecutor's Office and freezing of assets worth EUR 170 million since early 2012.

A newly appointed coordinator on anti-corruption is working to implement the national strategy, supported by the Coordination Committee and the Advisory Body. TFGR is represented in the Advisory Body, gives support and advices to the national coordinator on actions initiated, supports developing working plans per agreed objective of the National Strategy, including advice on financing possibilities. Further technical assistance has been delivered with a review of anti-fraud and related anti-corruption issues linked to Structural Funds in Greece.

(6) Business environment

The Greek authorities have made a number of commitments to make it easier for businesses to seize new commercial opportunities through investment or competition, and to cut red tape or regulatory barriers to business, in accordance with the Economic Adjustment Programme. These reforms are key prerequisites to enable new investment or business growth to play their crucial role in sustainable growth and job creation. While Greece keeps improving its performance in a number of international competitiveness rankings, it is still consistently in the group of the weakest performer in the EU/OECD⁵.

⁵ The latest publications on Ease of doing business by the World Bank Group rank Greece 24 on a scale of 28 EU countries and in the one before last position on a scale of 34 OECD countries.

Over the past year, extensive technical assistance has helped to identify clear policy actions needed to improve the business environment. The focus is now shifting to implementation.

Sustained technical assistance has been provided, by the United Nations Economic Commission for Europe (UNECE) and the World Customs Organization (WCO) to the newly created Operational Steering Committee for Trade Facilitation, as it works to simplify exports procedures and reform customs administration. Despite considerable investment by the Greek project team and TFGR coordinated experts, the delivery of key roadmap objectives has been slower than foreseen, inter alia following the changes in the Greek project management team. Partly building on technical assistance provided in the first half of 2013 on export promotion, the Greek authorities completed the creation of a new Agency to stimulate export promotion and to attract investments to Greece.

Extensive support, coordinated by TFGR, has been provided to remove/simplify legislation which hinders competition and creates red tape. The OECD has finalized advice to the Greek authorities on the removal of regulatory obstacles to competition in food, the retail trade, building materials and tourism. Based on this, the Greek authorities are preparing an Omnibus law listing amendments to current legislation with a view to reducing the identified obstacles. In addition, the OECD is close to finalising the measurement of administrative burdens to businesses in 13 areas, including the development of recommendations to significantly reduce them. This work is expected to translate into legislative reforms in the coming months.

Several avenues for further reform to ease the burden of starting up a business, registering property, dealing with building permits and in other business environment areas are being analysed by the Greek authorities, following the first wave of technical assistance provided in these fields by the World Bank Group.

In September 2013, the Greek authorities have also completed, with the aid of technical assistance, a roadmap to remove investment barriers caused by a maze of licensing and permit procedures for the establishment and operation of business activities. This is one of the most frequently recognised obstacles to new business activity in Greece and related action is identified in the Economic Adjustment Programme. The first steps of the roadmap include proposals for a framework law which would set the new principles for the overhaul of the Greek licencing regulatory system. The draft framework law is being discussed with all the Ministries concerned. This work draws on recommendations of TFGR experts in business park development and from the World Bank Group on licensing system in other countries.

In the area of public procurement, the Greek authorities are preparing a comprehensive reform of the current legal patchwork (over 100 different legislative acts), and working to increase the capacity of key public purchasers to procure efficiently and cheaply. In the past few months, leading procurement practitioners from abroad have been assisting Greek authorities on a regular and sustained basis with these reforms. The efforts of the Greek authorities, with the active support of the TFGR, have started to produce the first tangible results: a legislative reform has been undertaken with a view to codifying and consolidating the applicable public procurement rules and is expected for ratification by the Parliament in the first quarter of 2014, contract notices for the first wave of framework agreements are about to be tendered, and work is on-going to make full use of the 2 e-procurement tools (e-platform and transparency portal) available, based on recommendations of experts commissioned by the TFGR.

In addition, the Greek Ministry of Infrastructure, Transport & Networks has requested technical assistance by TFGR in developing a comprehensive approach in technical specification costing methods when tendering out public infrastructure works.

A linked sub-project on health procurement has been introduced during this report period, aimed at strengthening the Central Purchasing Body for health procurement, EPY, and at clarifying additional rules for health procurement. Implementation is expected to be included in the Second Contribution Agreement between the Ministry of Health and WHO for the end of the current programming period, and further arrangements for the new programming period will be needed.

Regarding liberalisation of regulated professions and reserved activities, secondary legislation has been screened to ensure that it does not restrict entry to professions. Further technical assistance was provided to identify and eliminate unjustified restrictions with respect to the exercise of certain activities by specific (groups of) professions. Currently, TFGR has contracted for the evaluation of the impact of liberalisation of some key regulated professions (notably architects and engineers, lawyers and notaries) and sectors (coastal maritime) in the Greek economy, and the identification of remaining barriers.

(7) Healthcare reform

Over the reference period, technical assistance was focussed primarily on supporting the completion and implementation of the first Contribution Agreement and to complete the assessment phase of the "Health in Action" strategy (for which Germany is the domain leader) – launched at the High Level Health Conference on 12-13 December 2013.

This successful conference gave political momentum to two priorities: building an effective network of primary healthcare, and the need to ensure universal access (health safety net). Both priorities have been and will be strongly supported by the TFGR in the framework of the Contribution Agreement as well as in the preparation for the new programming period of the Structural Funds. An important milestone has been the approval - on 6 February 2014 - of the law on the purchaser / provider split of EOPYY, with service provision staff offered to be transferred to the primary healthcare system.

Technical assistance was also provided for implementation of the policies agreed in the Economic Adjustment Programme relating to pricing and reimbursement of pharmaceuticals, management of the national organization for health care services provision (EOPYY), and hospital management.

The Greek government is currently negotiating a second Contribution Agreement with the World Health Organisation (WHO). This agreement will permit completion of the financing and implementation of technical assistance for the strategic priorities of its overarching health reform initiative ("Health in Action").

(8) Judicial reform

The functioning of the Greek judicial system has traditionally been characterised by long delays and inefficiencies, which hamper citizens and businesses in obtaining effective legal redress. The Economic Adjustment Programme foresees legislative action to revise the Code of Civil Procedures and the framework for administrative review of cases.

TFGR has continued its support to the review of the Code of Civil Procedure, the promotion of mediation, the introduction of a system of extra-judicial administrative review and the implementation of e-Justice. Legislative proposals for the revised Code of Civil Procedure and the legislative framework for administrative review of cases are in the pipeline. TFGR assisted by mobilising international expertise and via ad hoc advice. Promotion of mediation has continued to be supported via securing finance for the production of promotional/educational video clips. E-Justice progresses satisfactorily and the Greek government has launched a tender for implementation of the system. TFGR monitors the process in order to assist in avoiding any delays.

(9) Labour market, social security, innovation and education

Given the very high (28%⁶) unemployment and youth unemployment (59%⁷) rate in Greece, the Greek labour market situation remains dramatic. To alleviate this and to contribute to a permanent improvement in the functioning of the Greek labour market, the Economic Adjustment Programme foresees a mix of reforms of the labour market and of policies to assist in the transition across jobs. The TFGR provided extensive technical assistance in this domain.

Since October 2013, the labour market technical assistance program of TFGR consisted of six key policy areas:

In December 2013, the Greek authorities submitted a Youth Guarantee Implementation Plan for evaluation to the European Commission services. The plan is expected to be finalized and implemented in the coming months with the support of TFGR. The intention is to gradually introduce a Youth Guarantee for all 15-24 year olds of a job, apprenticeship, traineeship or continued education four months after leaving education or leaving employment. Funding from the Youth Employment Initiative and the European Social Fund of EUR 350 million will support a target group of 240,000 young people not in education, employment or training (NEET).

The action plan for implementing various strands of the OAED (the Greek Public Employment Service) Re-engineering programme has now moved to the implementation stage. Planned “quick wins” such as the creation of a unit to work with large employers, and a mapping of all existing OAED processes (for example benefit payments), have already been implemented on schedule. Missions from the Public Employment Services of Germany, on apprenticeships, and the United Kingdom, on partnership with the private and third sectors, took place in December 2013 and January 2014.

OECD representatives met the Ministry of Labour and Labour Inspectorate (SEPE) in mid-January to look at recommendations across seven areas within the employment sector where administrative burden could be reduced (see section 6 on business environment). The recommendations covered topics such as the obligation to keep annual leave records, health and safety requirements on construction sites, or workplace injury records. The Ministry of Labour is now considering these recommendations.

⁶ Seasonally-adjusted unemployment rate for November 2013, data obtained from http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-28022014-AP/EN/3-28022014-AP-EN.PDF

⁷ Seasonally-adjusted youth (under 25) unemployment rate for November 2013, data obtained from *ibid.*

A cooperation agreement between the Ministry of Labour and the World Bank Group was signed at the end of October on developing and rolling out a pilot project on the establishment of a means tested income support program. The pilot programme is meant to provide the basic architecture for subsequent national roll out. This project is of utmost importance in view of the social emergency that Greece is experiencing.

The General Secretary for Research and Technology prepared a new draft law on modernising the framework applicable to R&D, which is currently under public consultation. In November 2013, TFGR initiated a structured dialogue with the General Secretariat for Research and Technology (GSRT). This will result in the organisation of two workshops, assistance to the GSRT in modernising and simplifying their own management structures, and ensuring that innovation occupies a central role in the Greek Partnership Agreement for the 2014-2020 programming period.

TFGR has continued monitoring developments in education reform, especially in the context of the Law on the Upper Secondary Education and further elaboration of a Road Map on Vocational Education and Training.

(10) Asylum and migration

TFGR continued to support the establishment of improved coordination between Ministries on asylum and migration. In coordination with relevant national and regional authorities, TFGR assisted in exploring possibilities related to the use of Structural Funds in support of asylum policy priorities.

Technical assistance (in the form of resident experts) was provided for the daily management of "Solidarity and Management of Migration Flows" (SOLID funds) at the level of the responsible authority, and project management tools were established in collaboration with SOLID funds beneficiaries.

(11) Privatisation and land registry

Over the reporting period, TFGR technical assistance helped Greece to make progress with some core privatisation commitments of the Greek government. To achieve this, TFGR arranged expertise from Member States (Italy, Germany, the Netherlands, Romania and France) and worked closely together with the Greek authorities to provide technical assistance in key areas, such as public real estate and ports. Results achieved include:

Firstly, in December 2013, the Italian and the Greek Ministries of Finance signed an agreement on the cooperation of the Italian Public Property Company and the Greek Secretary General for Public Property, the Greek Public Property Company and the Hellenic Republic Assets Development Fund. The cooperation covers assets valorisation procedures, development of a national registry of public properties, and institutional organization.

Secondly, the Director of the Central State Aid Unit within the Ministry of Finance took up their post. Challenges the TFGR has helped the authorities to tackle included staffing and the establishment of a network of decentralised units dealing with state aid matters within the relevant line ministries.

Thirdly, in late December, the European Commission signed a delegation agreement with the Dutch Ministry of Foreign Affairs, providing a grant for the implementation of technical assistance to the Greek Land Administration and Cadastre.

(12) Industry sectors and Services

During the period under review TFGR laid the foundation for more comprehensive technical assistance in relation to renewable energy (funding was secured for the secondment of three experts to work on sustainable development under an agreement with the German authorities) and to logistics (following up on the World Bank Group review of regulatory impediments). TFGR continues to support the training of staff of the Greek authorities in the areas of waste management and waste prevention, recycling, hotel certification, resort development and tourism promotion. Further initiatives are under preparation in the areas of tourism, waste, aviation and ports. The provision of assistance in the last two areas is closely related – and partly instrumental to – developments in the privatisation domain.

3. KEY AREAS FOR PROGRESS:

The European Commission has repeatedly stressed the importance of accelerating structural reforms for the Greek economy to recover⁸. Going forward, TFGR considers that technical assistance remains particularly important in the following three areas in order to support Greece's economic recovery: i) Support for the sound functioning of the **tax administration**, crucial both in terms of enabling Greek authorities to increase public revenues and also in terms of delivering a fairer and more equitable distribution of the tax burden; ii) reform of the **central public administration** where decisive progress is needed in building an efficient and modern public administration at the service of citizens and companies, and capable of implementing reforms needed to transform the Greek economy; and iii) contribute to the creation of a supportive and stable **business environment** as growth and job creation can only come from thriving companies with easy access to liquidity and markets.

Effect of structural reforms in fields supported by technical assistance:

In the context of the Economic Adjustment Programme, the Greek authorities are implementing a series of important reforms in an effort to rebalance the economy, thus supporting economic growth and employment, especially in the field of business environment. This has been supported in major ways by TFGR activities and is consequently important to see what the effects of these structural reforms on the Greek economy are. A set of economic studies, contracted by the European Commission to IOBE, the foundation for Economic and Industrial research and Greek micro-economists, using both microeconomic and macroeconomic estimation techniques, have analysed the potential impact of specific reforms supported by technical assistance in Greece: reforms improving the public procurement system, reforms related to the liberalization of the markets and the enhancement of competition, simplification of permits and of procedures for creation of business for promoting investment.

⁸ http://europa.eu/rapid/press-release_SPEECH-13-716_en.htm

Using a three region version of the IMF's GIMF General Equilibrium model, calibrated for Greece and the rest of the euro area the simulations strongly support the implementation of structural reforms as a valuable instrument to promote the Greek adjustment process. The potential effects of the reforms on output and employment are sizable (see forthcoming studies: “Assessing the Macroeconomic impact of Structural reforms in Greece”, IOBE 2014; “The Microeconomic Effects of the Business Environment Reforms”, S. Ioannides et al.).

The simulation results highlight the strategic role of private investment for Greek economic growth and employment. These wide-ranging reforms, addressing the key bottlenecks prevailing in the business sector, if combined with administrative simplification reforms aiming to reduce barriers to entry and to lower the cost of doing business can have a major impact on the Greek economy already in the two years following the reform.

Further estimates indicate substantial gains for the Greek economy with competition-enhancing reforms in product markets. In particular in the so-called non-tradable sector, there is more room to relax supply restrictions and the excessive rents of incumbents than in the tradable sector. However, reforms in this area are generally slower to produce the desired impact as the opening up of professions to competition may not immediately attract competitors.

Over the past year, technical assistance to simplifying investment licences and permits, as well as for other business transactions (such as starting up a company) was provided with the help of the World Bank Group. In the coming months, it is crucial to secure the implementation of the ambitious reform strategy Greek authorities presented, and continue with a broad set of structural reforms to restore business confidence and attract investment.

In the coming months, technical assistance provided should translate into ambitious legislative action to remove regulatory barriers to competition in specific sectors (food, the retail trade, building materials and tourism). Further technical assistance to analyse competition bottlenecks in other sectors are open for discussion with the Greek authorities. Regarding liberalisation of regulated professions and reserved activities, secondary legislation has been screened to ensure that it does not restrict entry to professions. Further technical assistance was provided to identify and eliminate unjustified restrictions with respect to the exercise of certain activities by certain (groups of) professions (reserved or shared activities).

Analysis from the European Commission on the impact of structural reforms in Greece can also be found in the December edition of the 2013 “Quarterly report of the Euro Area”.

Source: “Assessing the Macroeconomic impact of Structural reforms in Greece”, IOBE 2014 (forthcoming); “The Microeconomic Effects of the Business Environment Reforms”, S. Ioannides et al. (forthcoming); “The growth impact of structural reforms”, J. Varga and J. in’t Veld, Directorate General for Economic and Financial Affairs. European Commission, Quarterly report on the euro area, Volume 12 (2013) Issue 4

4. USE AND DELIVERY OF TECHNICAL ASSISTANCE – STATE OF PLAY

The Greek authorities have sustained the level of demand for technical assistance recorded in the previous reporting period⁹ with about 263 expert-days of technical assistance delivered and organized by TFGR or through partners (such as the French public agency ADETEF). While over half of technical assistance remains concentrated in the areas of tax administration/public financial management and central administrative reform, technical assistance is also gathering momentum in other fields. Over this reporting period there has been a near doubling in the amount of technical assistance provided in the following areas: (1) energy and environment in particular for projects concerning waste management (2) financial & banking sector.

For delivering technical assistance, increasing use was made of a wider range of instruments over this reporting period: (1) near doubling in the volume of small value contracts has allowed for targeted, specialist support for specified projects, (2) to support longer-term technical assistance, the TFGR is currently deploying additional efforts in order to arrange for 3 additional grants and/or contribution/delegation agreements from the European Commission managed part of the structural fund budget for an amount of approximately EUR 2 million (on top of the EUR 10.4 million previously allocated with 10 grants – see Annex 2 on financing of technical assistance for details). (3) Several Member States – notably France, the Netherlands and Germany – have made available large numbers of senior experts and officials and assumed the full costs of this contribution, notably when operating as domain leader for specific reforms.

During the period under review, TFGR has continued its input into the implementation of the Health in Action process, using Greek managed Structural Funds for technical assistance through the World Health Organisation (WHO). A second Contribution Agreement between the Greek Ministry of Health and WHO is being negotiated. Some of the lessons learned can be useful for possible similar arrangements. Recently, a cooperation agreement was concluded between the Work Bank Group and the Greek Ministry of Labour at the end of October regarding the design and implementation of a pilot project on establishing a means tested income support programme.

Furthermore, TFGR members stepped up the direct provision of technical assistance in crucial areas for reform, notably tax administration, the management of the structural funds, the reform of the public administration and state aid coordination. This includes working, sometimes on a daily basis, in ministries in order to accompany and facilitate the reform process and the necessary coordination with the providers of technical assistance and, where necessary, other Commission services. They thus directly contribute to the strengthening of the administrative capacity of the Greek administration in the ongoing reforms.

In view of the new programming period from 2014, the TFGR and other European Commission services are preparing new approaches for the funding of structural reforms and the related technical assistance. These should help avoid the sometimes significant delays in the launch and implementation of projects due to financing issues, once the political decision to moving ahead has been taken.

⁹ April to September 2013, for more information see http://ec.europa.eu/commission_2010-2014/president/pdf/qr5_en.pdf

ANNEX 1: DETAILED PRESENTATION OF TECHNICAL ASSISTANCE IN INDIVIDUAL POLICY FIELDS

1. ACCELERATION OF COHESION POLICY PROJECTS

In the area of Structural and Cohesion funds, activity for the period continued to be characterised by support to the Greek authorities for both the management of the programming period 2007-2013 and preparation for the programming period 2014-2020.

a) Programming Period 2007-2013

Latest data show that Greece has a very good record of commitments for the use of Structural Funds. By 31.12.2013, Greece had committed (contracts) 113.5% (EUR 27.2 billion) of the total funds available to it (EUR 23.9 billion)¹⁰. It has paid EUR 15.9 billion, i.e. 58.6% of the amounts committed (66.5% of the amount available). At the end of February 2014 the "absorption rate" for Greece - 77.11% - is thus well above the EU average (64.08%) placing the country in the 4th position at EU level (see table 1). Adoption in December 2013 of the European Commission proposal, as agreed by the European Council and European Parliament, to extend the co-financing top-up until the end of the programming period will help to absorb the remaining allocation of funds while alleviating the pressure on the national budget and will maintain this strong performance.

The situation continues to be less encouraging as regards the absorption rate for the European Agricultural Fund for Rural Development (EAFRD), with Greece occupying a place well below the EU average (Greece at approximately 57%). Discussions with the Greek authorities on possible ways to contribute to improving the absorption rate of the EAFRD started but technical assistance needs were not clearly defined so far.

Concerning the European Fisheries Fund (EFF), the overall level of commitments and payments is 75% and 56% respectively. The problems encountered in the area of fisheries and maritime policy are of a horizontal nature (i.e. administrative burden for business, need for administrative reforms, etc) and as such they will be tackled through horizontal TA actions undertaken by TFGR. Regarding the current Operational Programme, the main problems identified (lack of human resources and technical expertise, administrative delays etc.) are tackled within the framework of supervision and monitoring of the programme by European Commission services in collaboration with the concerned national authorities. For the programming period 2014-2020, TA will be defined according to the progress of the negotiations on the Partnership Agreement and on the Operational Programme, in particular with regard to fulfilment of the ex-ante conditionality on administrative capacity: a) to comply with the data requirement for fisheries management and b) to comply with the implementation of a Union control inspection and enforcement system.

¹⁰ 24.3bn€ represents the total available from the EU budget (20.2bn€), complemented by Greek national contribution.

Table 1: absorption rate of Structural Funds in Greece since 2010

		Structural funds (all funds)	European Regional Development Fund	Cohesion Fund	Social Fund
Total Amount Decided (EUR)		20.210.261.445	12.149.300.178	3.697.160.864	4.363.800.403
Rate absorption by Dec 2010	Greece	21,86%	26,19%	15,90%	14,84%
	EU average	22,94%	26,96%	26,07%	29,06%
	GR Ranking	17	10	13	22
Rate absorption by Dec 2011	Greece	34,94%	39,65%	29,28%	26,60%
	EU average	33,36%	34,31%	28,35%	35,43%
	GR Ranking	18	11	8	22
Rate absorption by Dec 2012	Greece	49,23%	53,58%	46,03%	39,84%
	EU average	46,20%	47,06%	40,74%	48,93%
	GR Ranking	15	8	6	21
Rate absorption by September 2013	Greece	67,46%	69,34%	73,92%	56,72%
	EU average	56,40%	57,25%	49,89%	60,10%
	GR Ranking	6	5	2	16
Rate absorption by January 2014	Greece	77,11%	80,99%	81,80%	62,31%
	EU average	64,08%	64,85%	58,02%	67,59%
	GR Ranking	4	2	2	20

In relation to ERDF and CF on 31 December 2013, the Greek authorities have submitted payment claims amounting to EUR 1.5 billion. These payments are being processed by the Commission.

Against the backdrop of these promising figures, Structural Funds Directorates General and TFGR maintain their focus on the impact of committed and absorbed Structural Funds to the real economy, since not all amounts committed have yet reached the final beneficiaries.

Out of the 892 initial uncompleted projects from the 2000-2006 programming period there are still 171, representing EUR 543,5 million. Despite efforts and the exceptional extension until the end of 2013, it seems that 85 projects will not be completed within this deadline. The risk for recovery could be of approximately EUR 93 million.

TFGR – in close cooperation with European Commission Directorate General for Regional and Urban Policy (DG REGIO) and Directorate General for Employment, Social Affairs and Inclusion (DG EMPL) - contributed actively to the management of the so-called **priority projects**¹¹. In particular it provided extensive technical assistance to the motorway concessions. Work on 4 large motorways, with a combined value of EUR 7.6 billion, restarted in 2014 following the ratification of the amended concession contracts by the Greek Parliament, EU clearance and confirmation of EU financial. The agreement covers constructions of some sections of the Ionian motorway, Maliakos-Kleidi, Elefsina – Korinthos – Patra, and Central Greece motorway running through various regions and upgrading or connecting to existing sections of the PATHE motorway (the Patra-Athens-Thessaloniki which is part of the Trans European Transport Network).

¹¹ http://www.espa.gr/en/documents/priorityprojects/ypaan_120116_espa_projects_en.pdf

Throughout this process, TFGR advised the Greek authorities in their negotiations with the different parties, and facilitated communication of the revised terms for the motorways concessions to the European Commission. Further to these developments, work has been initiated for the reset of a fifth motorway concession (Moreas Motorway).

The TFGR also intervened on several other priority projects where it either provided direct support to the Greek authorities and/or facilitated the provision of technical assistance. This includes projects in the areas of digital convergence, transport, environment and labour (corresponding sections of this report contain more detailed information).

In the area of digital convergence, after long and sustained efforts, 3 major projects for a total amount of EUR 340 million have been or are about to be published for tender:

i) For the Syzefxis II project (EUR 150 million co-financing) aiming at connecting all buildings with public sector operations offering telephone and internet services, TFGR has facilitated TA provided by Jaspers, with the aim to bring the project to a mature stage. The project is now approved by the European Commission.

ii) Following TFGR assessment, the Rural Broadband project benefitted from technical assistance from TFGR together with Jaspers in order to prepare the project for adoption. The project is now in the tendering phase, under the responsibility of the Greek authorities. The project aims at improving the quality of internet access in rural areas where there is no interest from private investors (EUR 140 million co-financing).

iii) The third project, Digital Schools (EUR 50 million co-financing), is designed to improve the uptake of ICT in primary education by supplying schools with intelligent whiteboards and laptops. TFGR has conducted a benchmarking exercise of best practices in similar projects in other member states and an assessment. The project has now been approved by the European Commission.

According to information elaborated by the MIS Office¹², in January 2014:

- 51 out of 181 priority projects have been completed (total co-financed budget EUR 1.094 million)
- 73 are being implemented on schedule (total co-financed budget EUR 4.588 million)
- 43 projects need to be accelerated (total co-financed budget EUR 5.316 million)
- 10 projects are unlikely to be concluded (total co-financed budget EUR 416 million)

¹² MIS Office is a Special Service of the Ministry of Development & Competitiveness staffed by highly qualified IT engineers and other scientific personnel with various interdisciplinary qualifications. Its scope comprises design, development and maintenance of the central and decentralized Database for Monitoring and Management of EU funded projects in Greece since 1999. Moreover, it is in charge of supporting data exchange with EU Databases (SFC) and various National Databases. MIS Database serves the needs of Operational Programmes Managing Authorities, Beneficiaries, Certification & Audit Authorities as well as Public Administration Bodies of central & regional government. Relevant web sites: www.ops.gr www.eu4you.gr More specifically, www.eu4you.gr provides open data to the general public and data analysis (e.g. segmentation analysis and impact analysis) for policy makers and researchers.

- 2 projects were cancelled (co-financed budget EUR 44 million)

TFGR is heavily involved in the simplification process; the scope of the exercise is to identify those processes, procedures and legal constraints that hinder an effective and efficient disbursement of EU Structural and Cohesion Funds. Work is developed around two axis: the Funds mechanisms and the broader legal and administrative framework.

b) Programming Period 2014-2020

In preparation for the 2014-2020 programming period, a working group¹³ (and 3 ensuing sub-groups) under the co-ordination of the inter-ministerial coordination General Secretariat (SGC) has been set up to tackle the issues of structural and procedural simplification as well as resources and capacity.

TFGR is active in the three sub groups established to make recommendations relating to a) procedures in management and implementation; b) management structures and central co-ordination; and c) capacity building at the level of beneficiaries, including municipalities. The first intermediate report, including recommendations of the three sub groups, was produced at the end of December and officially transmitted to the relevant stakeholders. TFGR will continue to be heavily involved in this work.

TFGR will further explore the possibility to introduce entirely new working procedures, such as having an increased recourse to “simplified cost options (SCOs)¹⁴”. In this context, TFGR contributed to a seminar about the SCOs addressed to the Ministry of Education; this will be followed up by helping to develop a unit cost funding methodology.

In addition to providing continuing support in the above areas, work in the coming months will focus on **preparation for the programming period 2014-2020**. TFGR will focus on improving the weaknesses of the current programming period, support the Greek authorities in fulfilling the ex-ante conditionality so that the next programmes can start on solid ground. TFGR is also closely associated with the negotiations, by providing comments - and assistance where appropriate - to the **partnership agreement**, under the aegis and coordination of DG REGIO, with a particular attention to the definition of a strategic vision for the future of Greece, the analysis of the proposed programme architecture and management structures, the thematic ex-ante conditionality, the link between current and future periods, and the impact of the new Regulations.

TFGR is increasingly focusing its support to the small and medium size enterprises sector (SMEs), in need of targeted actions. A report was prepared by a UK expert on how support given to SMEs in the Convergence region of Cornwall might be applicable in Greece (following a seminar in July). The report was well received and the Greek authorities have proposed a study visit – to be facilitated by TFGR - to see how grants and loans can be disbursed much more quickly, and how support networks can be developed for new SMEs.

¹³ The working group consists of representatives of Ministries of Development, Labour and Agriculture, as well as MOD S.A.

¹⁴ Using flat rates, unit costs and lump sums instead of actual expenditure.

Key expected developments:

- Greek authorities and the European Commission will conclude the Partnership Agreement for the programming period 2014-2020 which has to be submitted by 22 April 2014. Preparation of the Operational Programmes for the same period will begin.
- Further progress should be noticed in the completion of Priority Projects, with special focus on the "motorway concessions". In addition, work for the reset of the fifth motorway concession (Moreas) will have to continue.
- Technical assistance will be agreed across a number of sectors so that Greece can fulfil the ex-ante "conditionalities" established in the legislative package adopted for the new programming period of the EU Structural and Cohesion Funds.
- A package of simpler procedures and structures constituting a new Management and Control system for the 2014-2020 programming period will be further developed in the context of the three WGs, under the coordination of the Secretary General for Coordination and the final report containing specific proposals is expected by end of March (in time for the preparation and implementation of the new programming period).

2. ACCESS TO FINANCE / FINANCIAL SECTOR

2.1. Liquidity Instruments supported by Structural Funds

The situation regarding lending for the real economy is similar to that of October 2013, with a continuing credit crunch, high interest rates compared to other Member States, high collateral requirements and rising non-performing loans.

With respect to the various financial instruments available that are supported by the EU, disbursements have increased for all but one instrument (guarantee instrument) during the period under review but remain limited: the situation remains unsatisfactory given the very high needs of the Greek business community. However, significant amounts from EIB global loans (with a state guarantee as well as under the guarantee fund) were disbursed.

The table below provides an overview of existing initiatives supported by the EU to increase bank lending to the business sector, notably the Greek SMEs.

Table 2: Existing instruments to support bank lending to business sector:

In million EUR per 20.01.2014	Total available	Public contribution	Private sources	Contracted between banks and SMEs	Total disbursements (public contribution)	Disbursements October 2013 – 20. January 2014
EIF						
JEREMIE	500	250	250	57.0	57.0	17.0
EIB						
SME global loans (Guarantee fund)	1,000	500	500	39.0	39.0	39.0
ETEAN						
Entrepreneurship Fund	266	133	133	56.0	43.0	14.0
Tourism in the islands	80	80	0	6.8	4.4	4.2
Working capital	550	275	275	70.0	41.0	37.0
Guarantee*	150	50	100	0	0	0
Energy Efficiency for households	480	241**	239	80.0	68.0	34.0
Total	3,181	1,684	1,497	308.8	252.4	145.2

Notes: * guarantee, no liquidity ** loans*** grants

Source: Ministry of Development (previous reports were based on information provided directly by Fund managers; this explains differences in figures presented).

In addition, EIB provides global loans to banks for an amount of 440 million EUR without the support of Structural Funds. Of this amount, EUR 370 million (82.5 million in the last quarter) were disbursed. Moreover, the Trade Finance Enhancement Programme (TFEP), which aims to overcome the difficulties faced by exporters in obtaining letters of credit, started slowly to be operational. Contracts with 3 domestic and 3 foreign banks were signed. The first letters of credit for an amount of 20 million EUR were issued.

2.2. Structuring dialogue between stakeholders

Discussion platforms:

a) Access to finance for SMEs:

The high level discussion platform focussing on access to finance for SMEs, established with the support of TFGR in April 2013, continued its operation, bringing together the banking sector and representatives of SMEs associations to take stock of problems related to liquidity flows into the real economy, and to develop forward common proposals for improving conditions of access to credit. Proposals are addressed to both the Greek and the European authorities. Coordinated by the Hellenic Bank Association, the platform brings together representatives from the major commercial banks, major SMEs associations and chambers of commerce, as well as the Greek Ministry of Development and other European agencies, such as the European Investment Fund (EIF).

The first outcome of the platform was the publication of a "Report on the Access to Finance of SMEs in Greece" in July 2013.

The report contained several proposals, focusing on the need for more flexibility in future NSRF programs, tackling the issue of the high collateral requirements and the need to improve access of SMEs to the available information on funding means. Based on the July report, several initiatives have been launched in order to increase access to finance for SMEs, and the platform has served as a communication forum, whereby discussions take place and views are exchanged. In particular, the idea of a tailor-made instrument for the new programming period has been discussed, while the 'SME initiative' launched by the European Commission, the EIB and the EIF has also been presented to the stakeholders. In parallel to the work done at platform level, there are on-going contacts between TFGR, the Ministry of Development and SMEs on i) enhancement of the existing information portal (www.espa.gr) for funding means available to SMEs ii) development of a new management flow tool for funding requests coming from SMEs. TFGR is providing valued input and actively supports the 2 ventures, *inter alia* through a small-value contract, while keeping the platform regularly updated on work progress.

The platform has proven its value added in terms of enhancing dialogue and seeking common solutions. It will continue to meet regularly to follow-up on its recommendations, monitor the situation and actions taken and propose further actions.

b) European Commission - EIB

TFGR, the European Commission¹⁵ and the EIB continued to hold regular meetings to exchange information on issues of common interest; identification of existing/possible problems; exploring ways to address them; exploring avenues for further improved cooperation.

c) Steering Committee Greek authorities – European Commission

The TFGR continued to participate in the Steering Committee set up by DG REGIO in July 2013. Its purpose is to enhance monitoring of financial instrument implementation and to gather concrete experience in order to bring forward policy suggestions on support to SMEs in Greece for the current and the new programming periods. The Steering Committee is composed of a limited number of experts representing Greek Authorities (Ministry of Development *et alia*), DG REGIO, TFGR and ECFIN.

2.3. ETEAN

The public agency ETEAN provides loans and guarantees for SMEs as well as other financial instruments (e.g. loans and grants for energy efficiency measures in private households). ETEAN is implementing new instruments with a higher risk profile than heretofore. TFGR started with a series of workshops in the field of risk management for ETEAN. A first one day workshop with an Austrian expert was held in November 2013. ETEAN management as well as representatives from the Greek authorities discussed the risk management approach of Austrian promotional Bank for SMEs (Austria Wirtschaftsservice GmbH – AWS). The organisation of a second workshop will probably take place by end Q1 2014.

¹⁵ Task Force for Greece, DG Regional Policy, DG Employment, DG Economy and Finance

2.4. Insurance

TFGR continues to follow developments in the insurance sector in close cooperation with the Bank of Greece. In particular, the Bank of Greece is entrusted with the task to put forward policy options to the competent Ministries (Finance, Social Affairs) for rationalizing the legislation related to occupational pension schemes. In this regard, TFGR has organised TA consisting of a 2-day workshop in December with the participation of experts from regulatory authorities of seven Member States (UK, NL, DE, IE, FR, PT, SE) and the European Insurance and Occupational Pensions Authority (EIOPA). The purpose of the workshop was to share experience from Member States with more mature occupational pensions markets and provide the Bank of Greece with an overview of the basic features of their systems, including supervisory and quantitative requirements.

Occupational pensions in Greece are currently provided by both IORPs (called occupational funds) and life assurance undertakings, although the latter dominate by far. There are on-going discussions with the Bank of Greece on the capacity of the insurance sector to assume social security/pension schemes in compliance with enhanced requirements under the EU legislative framework

The interaction between participants in the workshop was very satisfactory, useful conclusions were drawn and relations were built on which the Bank of Greece can draw in the future.

2.5. Potential new instruments to provide additional support:

2.5.1. Support schemes to enhance lending by the banking sector

TFGR in collaboration with other European Commission services has started the analysis of different possibilities through the creation of support schemes using structural funds, aiming at enhancing bank lending, notably to SMEs. The efforts of the European Commission services concentrate on devising a solution to compensate for the lack of available collateral necessary in order for banks to be in a position to provide loans. TFGR has carried out discussions with stakeholders, notably with banks and public authorities in order to test the feasibility of various solutions and possible "quick wins" in line with the current market solutions. Collaboration with national authorities, notably the Ministry of Development, as well other European Commission services will continue within the next quarter in order to put in place a legally sound approach which aims at overcoming weaknesses of financing possibilities currently available.

2.5.2. Institution for Growth in Greece (IfG)

Preparatory works for the establishment of the IfG continued:

- Different working groups, under the lead of the German promotional bank KfW, the European Investment Fund and European Investment Bank, are preparing the details for SME financing (debt and equity) as well as local and regional infrastructure projects. The first market studies have been completed.
- The Greek parliament adopted a law for the IfG in December 2013. EUR 350 million from public sources are devoted for the investment in the IfG.
- The legal and the governance structure are under discussion.

2.5.3. *Supporting the implementation of a microfinance pilot project*

In this quarter, the European Commission services have continued their discussions with the Ministry of Development and private stakeholders to support the launching of pilot projects; those should be set up later in 2014. The results of the pilot projects will help the Government to define further policy and regulatory action in this field.

Through a small value contract, TFGR has organised further research on concrete actions that could be adopted in order to develop microcredit and micro entrepreneurship in Greece in the next years.

2.6. **Accompanying policy measures**

TFGR has launched an independent analysis, with the help of an external consultant, of issues hampering the functioning of SMEs in Greece, beyond those related to limited access to finance. The purpose of this analysis, which will be available in Q2 2014, is to map all legislative, regulatory and administrative bottlenecks and formulate policy proposals, notably pointing to EU initiatives and tools that could be made available in order to improve the operational environment for SMEs.

Key Expected Developments:

For the coming months, the main focus will continue to be on the disbursement of public financial engineering instruments available, in particular global loans and the TFEP from EIB, JEREMIE loans from EIF and loans and guarantees from ETEAN. The discussion of different possibilities to accelerate the disbursement of existing instruments will focus on the lack of collateral in the Greek market and will be coupled with the analysis of creating adequate support schemes allowing for "quick fixes", i.e. solutions that can enhance liquidity provision in the short run.

The TA project in the field of risk management with ETEAN will be continued. A second workshop with a German expert is scheduled for March 2014.

TFGR will step up its efforts in supporting the creation and launch of operations of the IfG – which will be hopefully operational – at least for part of its operations – in late spring 2014. Support will also be provided for the preparation of the operational programmes and products for 2014-2020.

3. **CENTRAL AND LOCAL ADMINISTRATION REFORM**

3.1. **Overall Governance of the central Reform**

The Prime Minister's Secretariat General of inter-ministerial coordination (SGC) is currently being staffed (most cluster coordinators have been already nominated) and has started operations. Two workshops have been organized (French and Norwegian experts) to share best practices with the SG staff and define best way of functioning. An instruction regarding the role and interactions with the SG must be finalized and communicated to all Ministries. A change management plan for the administration is also foreseen. Other potential support for SG staff (such as coaching) is under discussion and can be provided upon the Greek Authorities' request.

A two year strategy and action plan for the reform of the central administration has been prepared for adoption following consultation of the main stakeholders. It covers all aspects of the reform, including a Human Resources strategy. The validation of this strategy and action plan at the highest level of the State should help to establish a common understanding of the objectives and outputs of the reform throughout the administration, including amongst the management echelons. It will also provide a basis for explaining the reform to civil servants and civil society. Finally, it also provides the basis for reinforcing the governance of the administrative reform, in particular the steering and monitoring aspects.

3.2. Reorganisation of the Ministries and public entities

The evaluation of the structures of all the public sector is on-going. So far, proposals for reorganization of structures representing all of the public administration (apart from the municipalities) were adopted by the Government Council of Reform (GCR). Most of the evaluations were done on a "self-assessment" basis, which had limited impact on the organizations. The Ministry of Reform has now initiated a second round of evaluations targeting specific policy areas in support of essential reforms (EOPYY, pension funds for example).

Most of the decisions of the Government Council of Reform regarding the reorganization of structures still need to be fully implemented. In parallel a large effort is underway to develop job descriptions in a systematic manner. Work should accelerate in order to implement the Government Council of Reform decisions. It will provide the new structures with a well-defined legal and well-coordinated framework, and would be perceived by the partners as a real and strong signal of the willingness for sustainable reforms.

3.3. HR Reform

A Human Resources strategy has been developed and is integrated as a main pillar of the 2 years strategy and action plan of the central administrative reform to be adopted. The strategy addresses the weaknesses in public service management of human resources and defines the way to manage civil servants' career-paths (recruitment, appointments, training, assessment, mobility, etc), as well as the way to develop the managerial skill sets of managers and top managers (evaluation of competences for example).

For an efficient implementation of the HR strategy, the Authorities should also define the full set of instructions to organise all HR services across ministries, under MAREG coordination. The development of this HR community should be pursued and strengthened.

A proposal for a new system for the selection of top managers (General Directors, Directors, Heads of Departments) has been developed by the Ministry of Reform with the help of technical assistance. It should ensure the identification of the most relevant sets of skills to develop leadership and management capacity in the administration. A large consultation has been initiated in January 2014 and it is expected that the new legal framework will be voted as soon as possible. Further TA could be foreseen to support implementation of this key step to ensure higher performance in the administration.

Mobility of staff

As foreseen in the Economic Adjustment Programme, 12,500 staff members have been identified for entering the mobility scheme by the end of September. An additional 12,500 are in the process of being identified (mostly resulting from the reorganization of the unified health insurance fund EOPYY). The administration is adopting the tools to run the mobility scheme in link with ASEP (entity which recruits Greek civil servants). These have been deployed to manage the reallocation of the 25,000 staff which are being included in this scheme in an optimal way.

Beyond this specific context, and as provided in the HR strategy, a permanent system for mobility of personnel should be defined. The system will be placed at the heart of the career of civil servants, with the objective to achieve the best match between the competences available and the positions in the administration. Such mobility system will be based on merit, competences and motivation and will contribute to the individual development of staff as well as to the overall enhancement of the public administration.

3.4. Administrative reform at the local and regional levels

In the second quarter of the year, the Ministry of Interior steered the work of the subcommittees in charge of developing operational plans for the implementation of the different pillars of the road map concerning the implementation of administrative reform at local and regional level (i.e. new responsibilities of local government, real estate management, investment planning, organization and multilevel governance). This work was not completed by the end of the year because of delays in the appointment of a scientific committee as a supporting team for the different institutional stakeholders. Operational plans are expected to be completed in Q1-2014. The Domain Leader will continue to support this process by helping to identify good practices at EU level.

In order to further support the reform process, TFGR took the initiative to bring forward certain topics covered by the road map with a limited number of municipalities to act as a pilot. Both the Ministry of Interior and the Association of Municipalities support this initiative. The European Commission signed a delegation agreement with GIZ for running the technical assistance project in the five pilot municipalities. These municipalities are: Thessaloniki, Skopelos, Sparta, Prespes and Karpenissi. The project covers: operational planning, evaluation of structures and personnel, and financial management. It started in December and will last until July 2014. The main objectives of this project are: a) capacity building in drafting a multi annual operational plan as well as absorption of European structural funds b) development of a methodology for evaluation of structures and personnel and application to selected organizations c) alternative financial management procedures towards simplification, transparency and accountability. TFGR and GIZ have already visited all five municipalities, presenting the project to the Mayors as well as to interlocutors from the relevant Municipal services.

In the context of TA to the Ministry of Interior, the European Commission funded a study concerning cost accounting methodology in German municipalities. This study analyses the implementation of the New Public Management (NPM) in German Local Government. A considerable aspect of the NPM approach is the structure of the municipal budget based in programs (municipal services). The breakdown of municipal expenditure is done by municipal service so that the municipality has a clear picture of the cost (including staffing cost) of each municipal service.

This methodology: a) shows the feasibility of outsourcing or not of certain municipal services b) provides comparative data of efficiency between different municipalities, towards reduction of public expenditure c) enhances accountability and transparency of public expenditure for the citizen.

3.5. Digital Strategy and E-Government

Greece is developing a digital / ICT strategy, setting the overall principles and priorities for Greece in this field, in line with the European Digital Agenda. In this framework, the e-Government strategy, one of the major pillars of the global digital strategy, is being finalized. The respective Digital and e-Government strategies should be developed in full coherence. This process should ensure that all relevant stakeholders share a common set of high level goals, respect the same principles, focus on simplifying the administrative processes by making them digital where applicable, and make the decision processes clearer. In addition, the process will function as an enabler for making access to public data easier, and cooperation between the public and private sector, while ensuring that a suitable data protection framework is in place. Synergies with the goals of the new programming period of Structural funds are being set up for an optimal use of the funds.

Currently, a mature e-Government strategy is being revised internally by the administration. It will be followed by an action plan for the e-Government, listing in detail all projects that are relevant for the state operated projects which provide services to citizens, to corporations and to the wider public sector.

Key Expected Developments:

- The governance of the reform (in particular the steering and monitoring roles) are enhanced. The objective is to ensure an effective implementation of the reforms and to provide a political and cross-governmental weight to all important decisions.
- Optimal functioning of the inter-ministerial coordination structure (SGC). An instruction is communicated to all Ministries and a change management plan is deployed throughout the administration.
- Adoption of a 2 year strategy and action plan for central administrative reform, encompassing a comprehensive Human Resources strategy. Communication of this strategy throughout the administration, to main stakeholders and citizens.
- Adoption of the new procedure for the selection of top managers. Further technical assistance is under discussion to support the implementation of this procedures, which is key to ensure higher performance in the administration
- Establishment of a HR community, leading to guidelines being provided for the HR units of the Ministries under MAREG coordination
- Implementation of the new structures decided by the Government Council of Reform (GCR). Presidential decrees are adopted and implemented for all Ministries. The latter are staffed accordingly and can initiate new processes to execute their missions.
- A permanent system for mobility of personnel is developed, as defined in the HR strategy. The system is placed at the heart the career of civil servants, with the objective to achieve the best match between the competences available and the positions in the administration.

- The Digital strategy and the e-Government strategies are finalized and approved by the Government Council of Reform (GCR).

4. REVENUE ADMINISTRATION AND PUBLIC FINANCIAL MANAGEMENT:

4.1. Revenue Administration:

Technical assistance on revenue administration is significantly contributing to the delivery of the Economic Adjustment Programme in this area.

The first highlight of technical assistance since the last activity report was the signature in December 2013 of a delegation agreement between the European Commission and the Belgian technical cooperation agency (BTC). This agreement, which has been in discussion with BTC since June 2013, will enable, as of March 2014, to progressively step up resident expert presence in Athens, by fielding three additional advisors on priority areas identified with the head of the Greek tax administration.

The months from October 2013 to January 2014 saw substantial progress in terms of organizational reform, mostly with support from one of the IMF resident advisors and a series of IMF short-term expert visits. The Secretary General for Public Revenue concluded choices regarding the new organizational structure of the General Secretariat, which are to be transposed in a SG decision and a presidential decree in Q1 2014. A draft for a grading and promotion reform was also approved by the Secretary General and endorsed by the Minister of Finance and the Minister for Administrative Reform and E-Government.

This period also was characterized by intense activity in terms of TA linked to tax policy topics. Assistance, especially from European Commission Directorate General for Taxation and Customs Union (DG TAXUD) and one of the IMF residents, continued on preparations for implementation of the new Income Tax Code and the new Tax Procedure Code, with a view to entry into force of these two new codes in January 2014. With the assistance of a British expert, a Greek committee produced in November 2013 a text for the overhaul of Greek accounting rules, which was submitted to public consultation by the Ministry of Finance and is scheduled for adoption during Q1 2014. Lastly, support through IMF TA is being provided to assist in the implementation of the new unified real estate property tax, voted by the Greek Parliament at the end of 2013.

Against this backdrop, technical assistance on the core functions of the tax administration continued albeit at a somewhat subdued pace, given the strong focus of TA efforts and SGPR's management attention on organizational issues as well as tax policy and implementation issues. The main events over the period were the following:

- In the field of tax audit, a workshop was organized by German trainers in Berlin (October 2013) in order to assist Greek full time audit trainers in the design of a new curriculum for basic audit training. A Swedish expert sent by the IMF provided advanced training on the use of e-audit software (SESAM), especially for large taxpayer auditors;
- In the field of debt collection, a workshop in Brussels (November 2013) was provided by the Belgian "domain leader" to Greek full time debt collection trainers to support the Greek authorities in the design of a curriculum for basic debt collection training.

An expert mission by a Belgian and a Dutch expert (December 2013) focused mostly on e-garnishment, direct debiting and further short-term and medium-term measures to further automate the debt collection process;

- In the field of VAT, a short-term expert visit by Belgian officials (October 2013) presented to the Greek administration state-of-the-art tools for detecting and fighting carousel fraud (missing trader intra-community fraud, also known as MTIC fraud);
- Lastly, in the field of dispute resolution, an expert visit by the Dutch domain leader (November 2013) provided further advice to the newly established Internal Review Unit and enabled to outline future steps for TA.

Overall, real progress on some of the key functions of tax administration was achieved over 2013, though at a slower pace than expected in the Key Performance Indicators (KPIs) agreed between Greece and its lenders.

It should also be mentioned that in parallel, technical assistance to the collection of Social Security Contributions (SSC) continued in support of objectives of the Economic Adjustment Programme, notably the establishment of a joint collection center for Social Security Funds (KEAO). Over the period, this assistance took the form of an IMF TA mission in November 2013 (with TFGR participation) and a short-term expert mission in September 2013.

4.2. Public Financial Management (PFM):

In the field of Public Financial Management, a first area of work was the payment process. A working group chaired by GAO decided on a set of measures as an interim solution to help reach the goals set by the Late Payment Directive, notably the 30 days deadline from reception of an invoice to payment. It included the transfer of state payments from Local Tax Offices to Fiscal Audit Offices, with a transition period until end-March 2014. An IMF TA mission with TFGR participation was commissioned in January 2014 to assist in the implementation of these changes and minimize operational risks. In parallel, work is continuing on the design and implementation of the ERP (Enterprise Resource Planning) system which will provide a long-term solution for streamlining the payment process.

A second highlight over the period was the work on the Organic Budget Law. A two-stage approach has been adopted by the Greek authorities whereby late 2013 was devoted to immediate changes linked mostly to the transposition of the Fiscal Compact, whereas a more complete overhaul of the Organic Budget Law would take place later. An IMF TA mission with TFGR participation took place in late October 2013 and helped GAO produce a first draft.

Technical assistance continued as well in the fields of fiscal reporting and social budget monitoring, with two IMF short-term expert visits in December 2013.

4.3. Hellenic Court of Audit:

Implementation of the Road Map for technical assistance in the field of external audit, agreed in 2012 between the Hellenic Court of Audit (HCA), TFGR, IMF and several European Supreme Audit Institutions, is well underway. This effort is well supported by the Netherlands Court of Audit as domain leader, in cooperation with Belgian, French, German and European Courts of Audit.

Progress has been made in the three areas covered by the Road Map. These include: developing an annual audit programme; capacity building for financial audits; and strengthening relations of HCA with Parliament and other relevant stakeholders. Workshops have been organised in these areas and a high level mid-term review of the programme took place in Athens in November.

Key expected developments

Revenue Administration:

- Arrival as of March 2014 of the three additional European Commission residents recruited under the BTC contract,
- Continuation of organizational TA notably for the implementation of the changes initiated in late 2013 / early 2014, particularly with regard to the new promotion and grading system and the establishment of a regional level for tax administration
- Intensification on TA in the field of debt collection, in particular with a review of business processes in local tax offices
- Reinforcement of TA on VAT issues, notably regarding VAT refunds and fight against VAT fraud
- Targeted assistance to the Greek authorities on the set-up of a tax investigation service, following the transfer of competencies and staff from SDOE (Financial and Economic Crime Unit) to GSPR, notably through one of the recently recruited additional residents
- Reinforcement of TA in the field of large taxpayer audit through one of the newly recruited resident advisors and reactivation of TA in the field of High Wealth Individuals-High Income Self Employed audit

Public Financial Management:

- Continuation of TA on the reform of the Organic Budget Law.
- Continuation of TA for the payment process

Hellenic Court of Audit:

- Based on the high-level mid-term review of the programme, further develop and implement the annual audit programme for 2014, implement the second cycle of ex-post financial audits and implement the action plan for strengthening the relations with Parliament.

5. ANTI-CORRUPTION AND ANTI-MONEY LAUNDERING:

5.1. Anti-Money Laundering

Since the beginning of 2012, the Greek Financial Intelligence Unit (FIU) has reported 1,446 cases of suspected tax evasion to the tax authorities and the Greek Financial and Economic Crime Unit (SDOE) based on suspicious transaction reports (STRs), coming mainly from financial institutions.

Since the beginning of 2012, 405 cases relating to confirmed tax evasion have been sent to the Prosecutor's office and assets of a value of approximately EUR 170 million have been frozen.

Table 3: Data on tax evasion cases identified by FIU:

FIU	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Total
Suspected tax evasion sent from FIU to tax authorities and SDOE	526			193	228	212	168	119	1446
Confirmed tax evasion cases received by FIU and sent to Public Prosecutor	71	53	29	76	40	44	47	45	405
Frozen criminal assets	33.9 mio	11.1 mio	13.3 mio	39.4 mio	20.4 mio	15.9 mio	15.7 mio	20.9 mio	170.6 mio

Since agreement on the Road Map for Anti-Money Laundering (AML), good progress has been made in all the work streams covered by this roadmap.

In order to enable financial investigators to make good use of the AML information given to them, an 18 month training programme for financial investigators has been implemented. This programme strengthens awareness, deepens knowledge on methods and delivers "on the job" training. As domain leader, the Dutch Fiscal Information and Investigation Services (FIOD) has already delivered seminars for more than 700 financial investigators coming mainly from the Financial Police, SDOE, General Secretariat for Public Revenue (GSPR), FIU, the Bank of Greece and Public Prosecutors on Economic Crime. The programme has led amongst other things to 30 project plans developed by the Greek participants during the training activities.

The training programme has now entered a more operational phase where Greek investigators in specific cases receive "on-the-job" coaching by experts. One case has been completed, three more have just started (Financial Police and SDOE) and new ones are scheduled.

In order to further strengthen coordination between authorities in the AML network, meetings take place every two weeks to discuss obstacles to implementation. In the meantime the indirect registry of bank accounts has been launched to effectively support the Greek law enforcement. This is an important step forward as information on bank statements is now available for investigations within one day.

At the end of October 2013 a Conference under the title 'Towards a New Agenda on AML' was organised with more than 150 participants.

As a result of this Conference a follow up programme on Anti Money Laundering has been developed, based on the input of the participants and the earlier developed recommendations. Key elements are further development of the registry of bank accounts, implementation of an effective coordination mechanism and prioritisation of criminal investigations under the leadership of the financial and anti-corruption prosecutors and a focus on improvement of asset reporting, tracing and recovery.

The recent inclusion of the AML issue in the Economic Adjustment Programme should help in key areas, such as the enactment of the effective coordination mechanism and prioritisation of criminal investigations mentioned above.

5.2. Anti-Corruption

The Greek authorities have developed a national strategy on anti-corruption, encompassing objectives defined with all relevant Greek partners and as laid down in the Road Map on Anti-Corruption.

Since the summer the newly appointed National Coordinator (NC) has worked diligently to initiate the actions as formulated in the national strategy. The NC is supported by his team, the Advisory Body and the Coordination Committee and is directly accountable to the Prime Minister.

The proposal for amendments to the Greek anti-corruption laws to further align them with international standards, is ready to go to the Greek parliament for approval but unfortunately has not been sent yet.

Preliminary work has started to develop a draft law for funding of political parties as well as codes of conducts for members of the government and Parliament. Other preliminary work started to provide for a framework for the declaration of assets for public and elected officials as well as members of the government. Progress in those fields is important. Effective implementation of the earlier agreed national strategy against corruption depends also on continuing political support for the national coordinator.

In all these fields the key actions are supported in the Economic Adjustment Programme and can lead to success, such as the appointment of the national coordinator in July 2013.

In the Ministry of Health a working group on anti-corruption is about to finalise a sector-specific anti-corruption strategy. In addition, steps are being taken to set up a working group in the Ministry of Defence to also develop such a strategy. Further technical assistance has been delivered with a review of anti-fraud and related anti-corruption issues linked to Structural Funds in Greece.

Key expected developments:

Anti money laundering:

- Adoption and start of the implementation of the New Agenda for Anti Money Laundering.
- Further development of the indirect registry of bank accounts by the end of June.
- Focus on training on the job for financial investigators.

Anti-corruption:

- Focus on the implementation of the individual actions of the national strategy, including by making sure that there is a proper working plan per agreed objective.

6. BUSINESS ENVIRONMENT:

Over the past quarter, technical assistance to support reforms of the business environment in Greece has progressed well but unevenly:

6.1. Increasing exports by simplifying procedures and setting an export promotion strategy:

Sustained technical assistance has been provided to implement an ambitious Trade Facilitation roadmap to simplify exports procedures with the support of the United Nations Economic Commission for Europe (UNECE) and the World Customs Organization (WCO). Challenges linked to financing of this project up to 2015 and to retrain and motivate staff to implement new working methods remain. The project steering structure has been reinforced by the recruitment of an external consultant, who will support the Greek project management team on a permanent basis.

On the pre-customs side, some important progress has been made in the area of agricultural controls for fresh fruit and vegetables, introducing a risk based control system and an approved trader scheme which 22 traders have joined to date. Other important milestones such as simplification of the national legislation applied to the issuing of export certificates/licenses or the review/reduction of procedures for requesting export certificates/licenses are lagging behind. As regards the simplification of customs procedures, roll out of electronic procedures and full implementation of risk based controls, a significant step forward was made with the full roll-out of the electronic customs system ICISnet. Custom controls of exports are slowly converging closer to the EU average with further progress needed. Crucially, customs will need to fully enable electronic customs including e-payments, and review day to day practices to further streamline customs procedures.

Work has also started on the design and planning for a "single window" for export procedures starting with work for a future interconnection between the Customs IT system and the agricultural export IT system(s).

In the area of export promotion, the Greek authorities presented their new approach and institutional set up for a trade and investment promotion agency merging HEPO (Hellenic Foreign Trade Board, responsible for implementing the export policy of Greece) and Invest in Greece (Agency responsible for seeking, promoting and supporting foreign direct investments into Greece). This new agency, "Enterprise Greece" should become operational in the coming months.

6.2. Reform of customs administration:

Following a request by the Greek customs administration and building on the assistance provided in the context of a Trade Facilitation strategy, an expert mission in October 2013 of the European Commission with Member State Customs experts provided the Greek authorities with recommendations and a roadmap on planning a full reform of the customs administration in 2014.

This action plan and roadmap was fully endorsed by the Secretary General for Public Revenue and the Director General for customs. A working group has been established in the Ministry of Finance with TFGR participation, which will develop a long term business strategy for the Customs Administration which supports the national budget and economic policy, existing and future trade and business needs. The aim is to determine the structure, organisation, competence and location of the administration and its constituent parts, to respond to operational (economic and control) demands. This will clearly define the roles, responsibilities and links between the centre of the administration, Customs Regions and Customs Offices. Further TA will be provided as deemed necessary to assist this process.

6.3. Facilitating new investment:

Drawing on technical assistance, the Greek government published in September 2013 a roadmap complementing its national vision for overcoming entrenched investment barriers by rationalizing business licensing procedures. Since October 2013, an internal working group has been drafting a new investment licensing framework law which has been put forward for consultation with other Ministries in January 2014. TFGR has been supporting this process through its involvement in the quality assurance committee of the reform. This builds also on a diagnosis study¹⁶, highlighting the lack of an integrated approach, complicated, time-consuming and costly procedures, and the uncertainty concerning the legal framework of many important licensing and permit systems. The draft framework law includes provisions on a new approach to utilising existing business parks following expert input organised by the TFGR. Further assistance is currently under consideration regarding land use management in Greece.

6.4. Improving the functioning of public procurement:

Since Q1-2013, TFGR has organised technical assistance to support the reform of the Greek public procurement legislation and administration. Work on this project has progressed significantly. The first wave of experts' missions to support the Greek authorities to organize the Central Purchasing bodies, as well as to plan and prepare framework agreements, was completed in November. Three technical assistance missions took place, the last one in November, and recommendations were delivered which would allow the Greek Secretariat General for Commerce (SGC) – Directorate General of Public Supplies, to operate more effectively as a Central Purchasing Body. SGC has benefited from this technical assistance to prepare a first wave of framework agreements. The first of these were launched in January 2014 (paper, photocopier toner, computer screens). EPY, the Central Purchasing Body in the field of health, has also received technical assistance with a view to help the re-engineering of its structures and processes. Further technical assistance has been requested from SGC on purchase management and smart procurement design. It is being investigated whether these requests could be accommodated, at least partly, through an agreement with an international organisation, currently under finalisation.

¹⁶ Based on consultation with various stakeholders and a comprehensive screening in the thematic study, June 2013, “Licensing of projects and activities”: http://www.observatory.org.gr/Portals/0/News/Executive_Summary_Licensing_Final.pdf

In parallel, technical assistance to provide advice and recommendations to the Single Public Procurement Authority (SPPA) for the drafting of new codified and simplified public procurement legislation has advanced. The SPPA has presented a draft single procurement rulebook which was under public consultation until 31 January 2014. Adoption of the new law is expected in the first quarter of 2014. Further assistance to the SPPA on the design of a horizontal procurement strategy is currently being discussed. Support for the shaping of a coherent training and certification program for public procurement officers is also under development.

On e-procurement, two missions (assessment & follow-up) on the e-procurement platform and the notification portal created by the Greek authorities have taken place in order to identify problems and make recommendations. An assessment report was drafted and communicated to the Greek authorities, with suggestions to accelerate the full use and enhance the functioning of the two systems.

On public works, the Greek authorities are interested in learning from the experience of other Member States and other stakeholders in developing this capacity, so as to have soundly budgeted and better-prepared tenders for public works. TFGR is contacting other Member States so as to bring the expertise and best practices to the Greek authorities.

6.5. Removing regulatory barriers to business and competition:

The project performed by the OECD aimed at removing regulatory barriers to competition in the retail trade, food, building materials and tourism has been completed on schedule. The final report listing the regulatory obstacles to competition in the above sectors, together with over 300 recommendations to remove or lower these obstacles, was delivered at the end of November with the support of TFGR. According to the OECD, the impact of these recommendations to the consumers can be calculated at -at least- EUR 5.2 billion annually¹⁷.

Based on the recommendations, an extensive set of amendments to current legislation is in preparation in order to ease or remove these obstacles to competition. An omnibus law covering these amendments will be presented to the Parliament shortly.

Under the supervision of the OECD the measurement of information obligations which give rise to administrative burdens for businesses in 13 domains has been completed. Recommendations to reduce these measured burdens significantly are close to be finalized by the OECD.

Building on recommendations provided by the World Bank Group, the Greek government passed in May 2013 a number of legislative amendments to reduce the administrative complexity to starting up a business, registering property and obtaining a construction permit for a warehouse. As reflected in the Doing Business 2014 report, a number of impediments to company start-up have been removed, where Greece was qualified top reformer in this particular area (jumping 110 rankings from 137 to 36 out of 189 economies).

¹⁷ The OECD report can be accessed at: <http://www.oecd.org/daf/competition/Greece-Competition-Assessment-2013.pdf>

This impressive shift however does not pretend to capture the overall performance of the regulatory system for starting up a business and TA work is being explored with Greek authorities to further digitalize and automate some procedures. An ICT assessment mission was conducted in October to that end.

6.6. Liberalising access to and exercise of regulated professions:

TFGR carried out, with the help of an independent consultant, a study to identify reserved/shared activities exercised by specific professions or groups of professions and propose amendments to the current legislative framework. In addition to identifying restrictions, the study included a proportionality assessment of existing restrictions in comparison with other EU Member States. This comparative analysis of the legislative framework in a limited number of other EU countries will enable the Greek authorities to amend and/or abolish the relevant legal framework where reserved/shared activities (reserved to specific professions) are found to be unjustified. Discussions for the preparation of legislation by the Greek authorities based on the outcome of this study are currently ongoing. Moreover, a further TA project is being carried out, relating to an evaluation of liberalisation of professions for some key sectors of the economy,. This project consists of a survey in Q1 2014 analysing the impact of reforms and identifying the remaining obstacle in a number of professions (e.g. lawyers and notaries, engineers and architects, other technicians) and sectors (coastal maritime) that are key for the Greek economy.

Key Expected Developments:

Customs: Implementation of detailed project plans for trade facilitation and customs should start. Further technical assistance will be provided for reorganisation of customs administration including local offices, and implementation of a customs pilot (automated customs clearance procedures).

Investment Licensing: The Greek government will present a new approach to investment licensing and present a draft framework law and implementation roadmap drawing on technical assistance from World Bank Group (WBG) and TFGR.

Public procurement: Recommendations on framework contracts and the Central Purchasing Body (CPB) were delivered in autumn. Efforts are underway to transform the Directorate General of public supplies in SG Commerce into a functioning CPB, capable of planning and preparing framework agreements. With the support of TFGR, a unified and codified single procurement law was drafted by the SPPA and is expected to be ratified in the first quarter of 2014. Evaluation of the e-procurement platform and notification portal by independent experts mobilised by the TFGR was finalised in December. This exercise provided a clearer picture of the capacities of both systems and allows for future improvements. Greek authorities are expected to prepare business continuity/development plans for both tools in order to make full use of the e-procurement systems, moving to a new procurement era. In addition, TFGR, at the request of the Greek authorities, is trying to bring expertise from other Member States to assist them in developing a comprehensive approach in technical specification costing methods when tendering out public infrastructure works.

Competition and red tape: in order to reduce the barriers to competition, an omnibus law listing amendments to current legislation will be sent to the Parliament shortly. Likewise, an omnibus law to reduce administrative burdens to businesses by 25% will be prepared and sent to the Parliament, based on the OECD recommendations.

Liberalisation of regulated professions and abolition of certain reserved and shared activities: After completion of a first project consisting in the screening of legislation to liberalise regulated professions, TFGR is supporting the execution of a second project on the abolition of certain reserved activities. In cooperation with the Greek authorities, TFGR has set up a third project consisting of a survey to measure the impact of the liberalization of several regulated professions. It consists of an analysis of the remaining obstacles as regards the actual opening in a number of specific professions, to be delivered in Q1 2014.

Economic analysis of reforms: A public launch of the results from the study contracted by TFGR to analyse and monitor the impact of structural reforms in business environment is scheduled for April 2014.

7. PUBLIC HEALTH

7.1. Strategic vision

The TFGR has supported the Greek authorities in designing a strategic vision for the reform of the healthcare system, as set out in the document "Greek Health Policy 2013-2020: Setting Up a New Basis for a Citizens' Oriented & Sustainable Health System". This strategy, aimed at achieving an affordable and sustainable healthcare system accessible to all, is supported by the "Health in Action" process.

Technical assistance from the TFGR and the WHO has been instrumental in making this strategy concrete and in particular:

- With its successful official launch on the occasion of the High Level Conference on Health in Action held on 12-13 December 2013;
- With the approval - on 6 February 2014 - of the law on the purchaser / provider split of EOPYY (the national organization for health care services provision), with service provision staff offered to be transferred to the primary healthcare system.

This strategy, aimed at achieving an affordable and sustainable healthcare system accessible to all, is supported by the "Health in Action" process.

During the reporting period, the TFGR has also ensured that healthcare concerns are mainstreamed in other areas of action and in particular: administrative reform, anti-corruption, public procurement, preparation of the new programming period of the structural funds.

7.2. "Health in Action": Health Reform Steering Committee and Sub-Committees¹⁸

The Steering Committee and the sub-committees have continued to meet during the period under review. With the support of technical assistance, work has progressed steadily under the different headings:

¹⁸ The Health Reform Steering Committee has the following subcommittees: 1) EOPYY; 2) Hospital management; 3) Diagnosis Related Groups; 4) eHealth; 5) Pricing and reimbursement of pharmaceuticals; 6) Primary health care; 7) Public Health; 8) Human resources; 9) Health tourism.

- The assessment phase is completed, with the exception of Health Tourism;
- Action plans for primary health care, hospital management, DRGs (Diagnosis Related Groups), EOPYY, pricing and reimbursement of pharmaceuticals, eHealth and Human Resources for Health (HRH) have been adopted by the Greek authorities, while a final version of the public health action plan is awaiting adoption.

7.3. Contribution Agreement with the WHO

The TFGR has continued to assist the Greek authorities in implementing a financing scheme with the World Health Organisation (WHO) to support these reforms and the related technical assistance. A first Contribution Agreement has been signed on 18 July 2013.

The TFGR has also taken an active part in preparations for a second Contribution Agreement to further support the needs identified in "Health in Action".

A project management structure has been agreed between the Ministry of Health, WHO, the Domain Leader (Germany) and the TFGR.

7.4. Support to the implementation of policies agreed in the Economic Adjustment Programme

"Health in Action" aims at providing a clear strategy framework for a sustainable healthcare system in Greece. In the short term, its priorities have to be consistent with the policies agreed in the Economic Adjustment Programme. The TFGR assists Greek authorities in ensuring this compliance, in particular relating to pricing and reimbursement of pharmaceuticals, management of the national health insurance fund (EOPYY), and hospital management (including DRGs – diagnosis related groups).

Key Expected Developments:

Support programme: continued implementation of those pillars where work has already commenced and start of implementation of all relevant additional pillars in early 2014; signing of a second Contribution Agreement between the Ministry of Health and the WHO in the first quarter of 2014.

Reform implementation: final adoption of the few outstanding action plans; following the successful official launch of Health in Action on the occasion of the High Level Conference in December 2013 the strong political support encountered is expected to support implementation during 2014, with a particular attention to the development of primary healthcare system and universal access.

8. REFORM OF JUDICIAL SYSTEM:

8.1. Task force for the review of the code of civil procedure

The “task force for the review of the code of civil procedure” is an expert group established under the Economic Adjustment Programme, in order to review the code of civil procedure with a view to accelerating judicial proceedings. It delivered its initial draft revised code at the beginning of October 2013 and adoption of the final draft is scheduled for the beginning of 2014.

The draft Code will be submitted for public consultation, with a view to submitting it to Parliament in Spring 2014. During the reporting period, the work of the "task force for the review of the code of civil procedure" has been assisted by the participation of a German expert who shared his experience and knowledge of his country's practices, and a Greek lawyer, who assisted in the finalisation of the final draft Code. TFGR supported the Ministry of Justice and the competent legislative Committee to refine and update the draft Code, taking into account other Member States' expertise, as well as exchanges with the European Commission, European Central Bank, and International Monetary Fund (EC/ECB/IMF) staff.

8.2. Extra-judicial mandatory administrative review of cases

The working group charged with the task of preparing proposals for introducing extra-judicial administrative review of cases presented a draft law in August 2013. According to this law extra-judicial committees will handle the administrative review of cases. Following comments on the draft legislation, during the review mission by the EC/ECB/IMF staff in September 2013, the Ministry of Justice will provide a revised draft. Meanwhile, the Ministry of Justice had provided additional information on the expected number of cases to be reviewed and committees.

8.3. Alternative Dispute Resolution (ADR) Mechanisms

TFGR, with the financial and administrative assistance of European Commission Directorate General for Communication and in close cooperation with the Greek authorities, continues to support a communication strategy to publicise the new mediation institution to the general public. During the reporting period TFGR supported the Ministry of Justice in securing financing from the EU for the production of promotional/educational video clips on mediation.

8.4. E-Justice

TFGR is helping to develop the reforms for "electronic justice" in conformity with the overall e-governance action plan (which forms part of the wide administrative reform). In particular, the governance and facilitating aspects of the e-Justice projects have been extensively discussed with relevant stakeholders in the administrative reform sector.

Having assisted in making sure that the budget is sound and that the deliverables respond to the actual needs of the various courts and judicial agencies, TFGR now monitors the procurement process in order to ensure that no significant delays arise. In close cooperation with the country's international partners, country-wide rollout has also been extensively discussed and designed. The project eJustice for civil and criminal courts (e-registration, e-tracking, e-filing, ICT equipment for courts) was launched for tender in December 2013. In addition, a project with the same scope for administrative courts, eJustice for administrative courts, was also launched for tender in December 2013.

Key Expected Developments:

Task force for the review of the code of civil procedure: Support by TFGR through comments by independent experts is being carried out as part of a wider review process.

Extra-judicial mandatory administrative review of cases: A new draft is expected following evaluation of the initial draft law. TFGR will continue providing ad hoc advice for the finalisation of the legislation

Alternative Dispute Resolution (ADR) Mechanisms: TFGR, with the support of the European Commission's representation in Athens will continue supporting the promotion ADR mechanisms. Opening mediation to non-lawyers is being discussed by the relevant stakeholders.

E-Justice: The procurement procedure related to projects for both civil-criminal and administrative courts has been launched in December 2013; TFGR is continuing to provide support by monitoring the procurement process in order to help the Greek administration to comply with the relevant Economic Adjustment Programme deadlines.

9. LABOUR MARKET, SOCIAL SECURITY, INNOVATION AND EDUCATION

9.1. Youth Guarantee

The Greek authorities submitted a Youth Guarantee Implementation Plan at the end of December for evaluation by European Commission services. The Plan was developed jointly by the Ministries of Labour and Education, and OAED, the Public Employment Service. An intensive mission by a senior French expert focussed on refining the plan and making recommendations on how best to co-ordinate all the organisations from public, private and third sectors in order to implement a Youth Guarantee that conforms with the Council recommendations. He also looked at how active labour market policies are developed and implemented.

In addition, the French expert and one from Austria, mobilized by TFGR, made an intervention at a Presidency Conference "Apprenticeship as a means of achieving the EU Youth Guarantee". Public Employment Service experts from the United Kingdom and Germany actively participated in the conference workshops.

9.2. Public Employment Service - OAED

The action plan for implementing the various strands of the OAED Re-engineering programme was adopted at a meeting of the Steering Group in October.

Further missions from the Public Employment Services of Germany, on apprenticeships, and the United Kingdom, on partnership with the private and third sectors, took place in December 2013 and January 2014 respectively. A "train the trainers" programme will be held in March on LEAN management techniques (i.e. procedural simplification and streamlining) with UK experts. Study visits by Greek staff are planned to the UK in March, and thereafter to Germany and Sweden. The Governor of OAED will be involved in the visit to the UK.

The Steering Group will convene again in mid-February to assess progress, risks and updated plans. Several of the planned "quick wins", for example creation of a new large employers unit, and a mapping of all OAED processes, have been implemented according to plan. It was clear that the programme has successfully moved from the planning to the implementation phase.

9.3. Labour Inspectorate - SEPE

OECD representatives met the Ministry of Labour and SEPE in mid-January to look at recommendations across seven areas within the employment sector where administrative burdens could be reduced¹⁹. The largest obligation by value is the requirement to maintain and record annual leave records, estimated by the OECD as a cost to businesses of EUR 129 million. The Ministry is considering these recommendations.

9.4. Social Safety Net

A cooperation agreement between the Ministry of Labour and the World Bank Group was signed at the end of October on developing and rolling out a pilot project on establishing a means tested income support program. The detailed paper on pilot running of a targeted minimum income scheme was refined by the World Bank and a response on implementation is awaited from the Ministry. It is envisaged that decisions will be reached on the choice of pilot area, eligibility criteria, the payment system and social impact assessment criteria.

9.5. Innovation

Under the direction of the General Secretary for Research and Technology, a draft new law on R&D has been prepared, currently under public consultation. In November 2013, the TFGR initiated a structured dialogue with the General Secretariat for Research and Technology (GSRT). Areas for TA/collaboration include (1) simplification of procedures for the management of R&D&I funds, (2) identification of best practices from selected Member States for the development and implementation of R&D policies, (3) the design of financial instruments aiming to support the innovation process, and (4) assistance to elaborate a roadmap for innovation, with particular emphasis on "smart specialization strategy".

9.6. Education

TFGR has continued monitoring developments in education reform, especially in the context of the Law on the Upper Secondary Education and further elaboration of a Road Map on Vocational Education and Training. The Road Map, which was sent by the Ministry of Education to ECFIN as required by the Economic Adjustment Programme, is intended to help expand the range and quality of apprenticeships and vocational training schemes and strengthening their linkage with labour market needs. TFGR has been discussing with the Ministry of Labour options on how to improve the quality of apprenticeship and vocational training services of OAED and link it with The Youth Guarantee Scheme.

Key Expected Developments:

- Finalisation of the Youth Guarantee Implementation Plan subsequent staged implementation of a Youth Guarantee. TA will consist of developing practical steps, infrastructure and systems needed to gradually implement an effective Youth Guarantee, including development of close co-operation between the numerous parties involved.

¹⁹ Including annual leave records; health & safety on construction sites; payslips; employee notifications; accident reporting

- Implementation of more "quick wins" under the OAED Re-engineering Programme, including the establishment of a call centre.
- Implementation of the Action Plan on SEPE reform and reduction administrative burdens in the employment sector (see chapter 6).
- Implementation of a pilot scheme to introduce a means tested income support program; The World Bank Group is providing technical assistance on how to identify target recipients.
- New law on Research and Technology currently under public consultation; adoption expected in the near future. Greek authorities have showed interest to investigate the governance in the design and conduct of R&D&I policy, in particular the articulation between the central and regional levels of government. A technical assistance workshop is foreseen for Q2-2014. Also, TA is provided on the design of financial engineering tools to support innovation, the mapping and articulation of the actors involved in innovation policy in the EU and Greece and developing policy and tools for the creation of fully fledged Science and Innovation parks.

10. MIGRATION, ASYLUM AND BORDERS

TFGR assisted the Greek authorities in presenting their requests for financial support from the European Regional Development Fund programmes and it continued to support the authorities in charge of migration and asylum in formulating a possible contribution for these themes also in the context of the draft Partnership Agreement on cohesion and structural funds in Greece for 2014-2020 (see chapter on Acceleration of cohesion policy projects).

With the European Asylum Support Office (EASO), TFGR and European Commission Directorate General for Home Affairs (DG HOME) continued to coordinate the work of a resident national expert who provided daily support to the Ministry of Labour and Welfare in managing the national envelope of the European programme "Solidarity and Management of Migration Flows" (SOLID), in particular the "European Refugee Fund".

Together with EASO and DG HOME, TFGR coordinated the work of two resident national experts who produced tools to build project management capacity at the level of the First Reception Service, provided peer to peer advice on general project management and delivered targeted training on the management of projects co-financed by SOLID funds.

In addition, TFGR continued to support coordination between relevant Ministries, in collaboration with the Ministry of Administrative Reform, the Secretariat General for Coordination and relevant Ministries and other public bodies (see chapter on Administrative Reform).

Key expected developments:

Continued deployment of EASO experts at the administrations in charge of managing projects and programs co-financed with SOLID funds.

If the Greek authorities confirm their interest, further TA can be offered to national authorities in charge of migration and asylum in relation to the Partnership Agreement on cohesion and Structural Funds for 2014-2020.

11. PRIVATISATION AND LAND REGISTRY

11.1. Public Real Estate

In December 2013, the Italian and the Greek Ministries of Finance signed an agreement between the Italian Public Property Company (Agenzia del Demanio) and the Greek Secretary General for Public Property, the Greek Public Property Company (ETAD) and the Hellenic Republic Assets Development Fund. The cooperation will cover the following areas: asset valorisation procedures (i.e. elaboration of innovative new brands, cooperation with other services and selection procedures); national registry of public properties; internal organisation of the Public Property Company; and the division of responsibilities within the institutional structure. The German Ministry of Finance also contributed in this field by providing ideas on how to proceed in case of unclear ownership and on interim assets.

Key Expected Developments:

The Greek Authorities will select priority areas for further assistance from Agenzia del Demanio and will organise a workshop on the ideas presented in the paper from the German Finance Ministry.

11.2. Land Administration/Cadastre

Last December, the European Commission signed a delegation agreement with the Dutch Ministry of Foreign Affairs. The purpose of this agreement is to grant a contribution by the EU for the implementation of technical assistance to the Greek Land Administration and Cadastre. The technical assistance consists of support to the Cadastre and Mapping Company (EXKA SA) to set-up a project management office, capacity building in EXKA and institution building for the organization of a national structure on land administration. The Dutch cadastre is acting on behalf of the Ministry of Foreign Affairs in the coordination of experts also from other member states (mainly from Austria, Germany and Spain). A kick-off event was organized in December to present the project to main stakeholders (e.g. Ministry of Finance, Ministry of Justice, Notaries, Registrars, Registrars employees, Surveyors, Banks).

Key Expected Developments:

Completion and definition of tasks and responsibilities on land administration, design of standard cadastre offices and the financing model.

11.3. Airports

Progress has been made with implementation of the National Airport policy with TFGR, the Directorate-General for Economic and Financial Affairs (DG ECFIN) and the Directorate-General for Mobility and Transport (DG MOVE) giving assistance on the compatibility of legislative proposals with EU directives and with the changes to the structure of the Greek Civil Aviation Authority (HCAA).

The privatisation strategy of the regional airports has been agreed and HRADF has invited expressions of interest for two clusters. With the selection of seven investment entities the tender process has been moved to the second stage. It is agreed that technical assistance for economic regulation is necessary.

Key Expected Developments:

Agree with the Greek authorities on the form and content of Technical Assistance for economic regulation of the privatised airports.

11.4. Ports Privatisation

TFGR and other Commission services including the Directorate-General for Competition (DG COMP), the Directorate-General for Internal Market and Services (DG MARKT) and DG MOVE have continued to be actively involved in assistance to develop a ports strategy and to move forward the privatisation process. The goal is to privatise all the main ports. HRADF has now approved the final drafts for a call of expressions of interest in the purchase of a majority shareholding in the Piraeus Port Authority, including the container port for which there are on-going discussions over the current concession. Approval of the relevant Parliamentary Committee is pending before the expressions of interest can be launched and the tender process begun. It is agreed that a new regulatory structure will be necessary and it has been indicated that technical assistance for this will be requested.

11.5. Water Utilities

The sale of shares in Thessaloniki water company has been delayed due to a pending decision by the Council of State. There have also been delays in recruitment to the Special Secretariat of water.

Key Expected Developments:

Arrange training by U.K. water regulators for the newly recruited Greek staff.

11.6. Central State Aid Unit (CSAU)

In the reporting period, the Director of the CSAU within the Ministry of Finance took up post. This entails *inter alia* both staffing and the setting up of a network of decentralised units within the relevant line ministries dealing with state aid matters. TFGR provided technical assistance in the form of advice on processes and procedures as well as training for the new staff, in cooperation with European Commission Directorate General for Competition (DG COMP).

Key Expected Developments:

TFGR continues to provide technical assistance mainly through in-house expertise.

12. ENERGY, TRANSPORT, ELECTRONIC COMMUNICATIONS, ENVIRONMENT

In relation to energy, efforts focused on ensuring that renewable energy sources can be developed in a financially sustainable manner, and on the development of the electricity market, both identified as Economic Adjustment Programme commitments.

Technical assistance for the reform of the renewable energy sector started to be implemented in the final quarter of 2013 with the recruitment of Greek and German energy experts. The objective of this technical assistance is to improve the framework conditions for the utilisation of renewable energy sources in Greece. Current challenges for renewable energies in Greece have been identified by the technical experts through extensive discussions with several public and private stakeholders from the renewable energy sector. Priority areas for the technical assistance have been jointly identified by the Greek authorities, the European Commission, and the German Ministry for the Environment. They include renewable energy technology and project costs, support mechanisms, financing options, licensing procedures, electricity grid integration as well as renewable energy on islands.

In August the World Bank Group submitted its report on improvements of the performance of trade and transport logistics through regulatory reform. This report, financed and supported by the TFGR, identified a number of specific actions that should lead to tangible improvements of the operation of the logistics sector. A draft bill and national logistics strategy are under preparation in response to this deliverable.

Contacts with the Hellenic Civil Aviation Authority led to the identification of several promising reform actions to improve the performance of the air traffic management system. These should be carried out in cooperation with Eurocontrol. So far these actions have not given rise to specific undertakings by the Greek authorities.

In relation to waste management, TFGR continued in the cooperation with the Special Secretary for PPP of the Ministry of Development. Scottish PPP authorities discussed legal and technical issues related to tender through competitive dialogue. Experts from Spain (i.e. Palma de Maiorca) and Italy (i.e. Tuscany) provided their practical knowledge on management of PPP by local waste management authorities.

TFGR, with the support of European Commission Directorate General for Environment (DG ENV), exchanged knowledge with the Greek Ministry of Environment in a number of solid waste policy related areas. The European Environment Agency provided feedback for the preparation of the national prevention plan. Experts from Austria, Belgium, Estonia and Italy are providing operational input for the preparation of the national waste management strategy 2014-2020. Belgium and Austria in particular offered their experience to improve effectiveness of the existing data management system. Belgian authorities exchanged information on good practices and the legislative framework to improve recycling. The cities of Thessaloniki and Florence agreed to cooperate for improving the municipal solid waste collection system. Finally, Belgian actors in the field of hazardous waste and Austrian authorities provided their experience for the preparation of a new action plan.

TFGR has continued discussing with the Ministry of Tourism possible ways to improve the current public system of tourism education. A mission of a Swiss expert (CEO of Lausanne Hospitality Consulting) was organized in October 2013 to discuss possible involvement of this prestigious Swiss hospitality education institution. TFGR has been addressing the requirements of the Ministry of Tourism related to winter and spa tourism by organizing two workshops with foreign experts: a workshop on winter tourism with Austrian experts in November 2013 and a workshop on spa tourism with Hungarian experts in January 2014.

Key Expected Developments:

- Three energy experts will assist the Greek authorities in their efforts to ensure a viable, efficient and sustainable framework for large-scale deployment of renewable energy installations and to increase investor confidence, inter alia by ensuring that funding remains sustainable;
- The logistics initiative will give rise to regulatory reform to remove impediments to the development of a sector which is of key significance to the Greek economy;
- The formulation of a comprehensive waste management plan will provide the basis for a cohesive strategy to improve the performance of Greece in an area where it has been lagging;
- The workshops on tourism provide the platform for the definition of a more strategic approach in another sector of key importance for the Greek economy.

13. MONITORING COMPLIANCE WITH EU LAW

In the reporting period under review, TFGR continued to facilitate dialogue between the European Commission services and the Greek authorities in order to remedy shortcomings in the transposition and correct application of EU law. This comprises prompting and coordinating different Greek authorities in order to take the necessary measures. With TFGR support, progress has been achieved as regards information sharing and coordination among stakeholders in the Greek administration.

ANNEX 2: WORKING METHODS OF THE TASK FORCE FOR GREECE

ROLE OF TFGR:

The TFGR mobilises and coordinates the technical assistance (TA) requested by the Greek authorities as they seek to implement structural reform commitments under the Economic Adjustment Programme. The TFGR also works to accelerate the absorption of EU funds in order to sustain economic growth, competitiveness and employment.

The technical assistance provided by the TFGR is a resource available to the Greek authorities, as they seek to strengthen their public administration, modernise their regulatory system and lay the foundations for a new growth model based on enterprise and investment.

To respond to TA demands expressed by the Greek authorities, the TFGR mobilises expertise or relevant support from Member States, international organizations or other specialist bodies which have directly relevant and recent experience in implementing similar reforms²⁰. This expertise is used to design and implement reforms of legislation, institutions and/or working methods and processes. Starting from the Economic Adjustment Programme, a first list of potential TA needs was drawn up in September 2011. From this list, the Greek authorities have identified the most compelling needs in terms of their urgency, maturity, and contribution to lasting structural reform in Greece.

Following the identification of a need, the TFGR assists in defining a work programme that is finally agreed with the Greek authorities. It usually contains clear deliverables, deadlines and intermediate milestones, terms of reference for TA assignments, specifying the required resources and the Greek entities whose involvement will be necessary. The TFGR also helps the Greek authorities to organize the inputs that are needed to implement the TA work programme (long term or short term assistance).

Furthermore, the TFGR assists in finding solutions for financing the costs of technical assistance – either from the centrally managed structural fund envelope or by helping the Greek authorities to make use of eligible Structural Funds for administrative capacity building.

The matching of TA supply and demand is organised through high-level coordination meetings organised by the TFGR and involving the Greek authorities, (potential) TA providers and European Commission services. Prior to these meetings, Member States or other international organisations are requested to express their interest in providing technical assistance on particular projects.

The TFGR, or where applicable the domain leader, coordinates the delivery of the technical assistance agreed in the work programme. The TFGR also provides support with practical administration (organisation of work-shops and other modalities for transfer of expertise).

²⁰ In addition to EU Member States this includes EFTA EEA states such as Norway and Iceland, as well as EU and international institutions such as the EIB, EIF, OECD, Council of Europe, IMF, and the World Bank. For ease of reference all these are addressed by the term "TA providers", which includes actual TA providers as well as TA providers who have expressed their general interest in making TA available.

The TFGR assists the Greek authorities with the supervision and monitoring of all agreed projects. It reports to the European Commission and Member States on progress or challenges (including through its regular activity reports).

The following sections give an overview of TFGR activities and ways in which TFGR deliver technical assistance over the period October 2013-January 2014.

DELIVERY OF TECHNICAL ASSISTANCE:

The Technical assistance arranged by the TFGR can take various forms. The TFGR has an increasingly effective range of instruments at its disposal for delivering technical assistance to Greece.

1. OVERVIEW OF ACTIVITIES

TA needs are mainly grouped in 12 policy domains. These include (1) acceleration of cohesion policy projects; (2) access to finance/financial sector; (3) reform of the public administration; (4) revenue administration and public financial management; (5) anti-money laundering and anti-corruption; (6) business environment; (7) public health; (8) reform of the judicial system; (9) labour market and social security; (10) migration, asylum and borders; (11) enhancing the regulatory framework for transport and utilities and completion of the land registry to facilitate privatisation; (12) energy, transport and environment.

In total, the TFGR is or has been involved with 110 work-streams in the 12 areas. Across the different policy domains, the TFGR currently coordinates:

- 85 active work-streams: in these areas, technical assistance has been provided over the past 3 months and further activity is planned for the next quarter.
- 7 work-streams are in the preparatory phase. Here, TFGR is exploring technical assistance solutions to respond to requests from the Greek authorities.
- 10 work-streams have been completed: planned deliverables have been submitted and there has been no TA follow-up request.
- 8 work-streams are dormant in that, after some initial activity, there has been no activity in the past 3 months due to changing priorities.

Compared to the previous report, a number of projects have moved from the preparatory phase to active (such as in the sector of insurance with the development of a policy and preparation of legislative proposal on occupational pension schemes, in access to finance with technical assistance for ETEAN risk management, in anti-money laundering, privatisation of real estate, and for the collection of statistics in the field of justice,). 2 work-streams have been completed recently: technical assistance on the abolition of certain reserved and shared activities, and a study for cost accounting methodology of the staffing cost for municipalities.²¹

²¹ In total 10 workstreams have been completed (8 workstreams already mentioned in the Fifth Activity Report of October 2013 and 2 workstreams recently completed between October 2013 to January 2014)

The dormant work-streams relate to technical assistance for: education in relation to the road map of vocational education and training linked to the youth guarantees; judicial reform with regards to the acceleration and improvement of appeal processes related to migration; on procurement in relation to SOLID funds (External Borders Fund, Return Fund and European Refugee Fund); resolution processes in banks and insurance companies; reform of insurance guarantee schemes; targets for lending; adjustment of the legislative framework for lending to SMEs by non-banking institutions and in the area of gaming (TA for the Hellenic Gaming Competition regarding AML and player addiction prevention). New workstreams of technical assistance have been deployed such as support for the reorganisation and reform of customs administration, public works costs methodology, analysis of SME policy in order to remove regulatory, administrative and legal bottlenecks that hamper the operation of SMEs, for the elaboration of a roadmap for innovation and for the adoption of a new law on research and innovation, for health procurement and finally for the training of new staff for the Special Secretariat for Water.

2. PROVISION OF SHORT-TERM EXPERIENCE

The initial stages of technical assistance, generally involving diagnostic analysis to define problems and provide policy and technical advice on the design of reforms, is often performed using short-term support. Such assistance may take the form of fact-finding expert missions or workshops where national administrations share best practices with their Greek counterparts. This should allow the Greek authorities to identify the most appropriate solution to their needs.

To illustrate, since September 2011, TFGR has arranged for about 406 missions (see Figure 1a) on a wide range of subjects including 35 policy workshops relating notably to reform of the judicial system, revenue administration, public procurement and business environment. These short-term technical assistance assignments are financed from the financial resources available in the technical assistance budget of the European Commission, such as the European Social Fund (ESF) or Fiscalis. They have been organized by TFGR or through some intermediaries (such as the French public agency ADETEF),

Figure 1a: TA missions: evolution per quarter (total 406 missions).

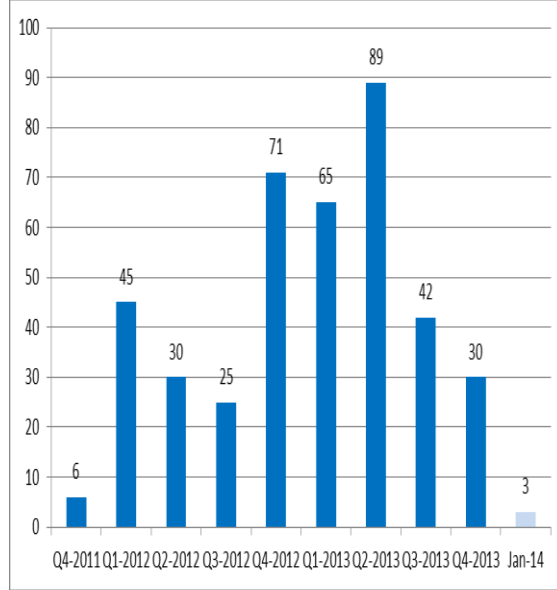
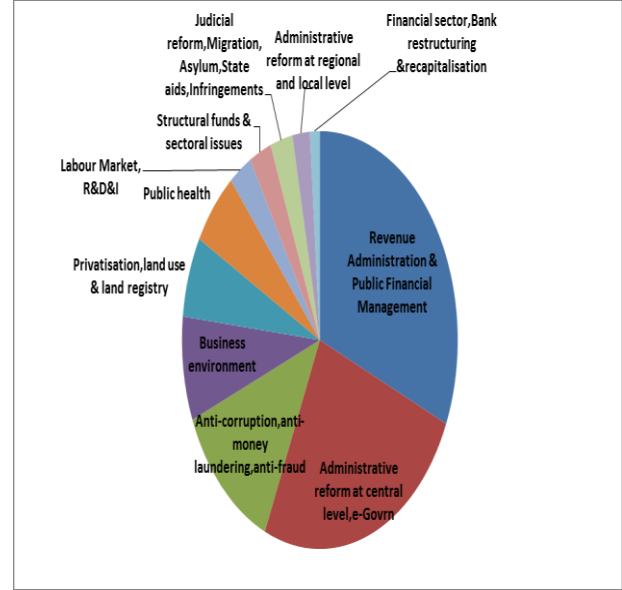


Figure 1b: Number of expert days (mostly funded by European Commission): breakdown by policy field (total 2252.5 expert days).



Note: TFGR computations including ex-post revisions for 2013 compared with previous activity report. It covers the period from September 2011 to 31 January 2014.

From October 2013 to January 2014, 6 workshops and 33 missions were organised. Expert days spent on-site over this reporting period represent 12% of the 2252.5 days arranged since TFGR creation in September 2011. Over half of the technical assistance provided by the TFGR since its creation has been related to the fields of revenue administration/public financial management and administrative reform at central level. These fields of activity have accounted respectively for 87 and 126 missions. They also account for more than half of the 2252.5 total expert days spent in Greece (see figure 1b).

Over this reporting period (Q4 2013 and January 2014), there has been a near doubling in the volume of technical assistance provided in the following areas: (1) energy and environment in particular for projects concerning waste management (2) financial & banking sector.

3. PROVISION OF LONG-TERM EXPERIENCE

Technical assistance may also take the form of more sustained support and presence in-country from particular Member States or organisations with specialised know-how that cannot be met through short-term expert missions or work-shops. This longer term investment is particularly needed when reforms progress from diagnosis to implementation.

These longer-term assignments may relate to: intensive screening of Greek legislation or administrative processes; provision of resident expertise to support monitoring and implementation of projects; provision of support for specialised functions such as training and HR, process re-engineering or ICT design. These needs are best met by recruitment of institutions or bodies having the specialist knowledge to provide hands-on assistance in the implementation of reforms and change management.

Furthermore, TFGR members intensified the direct provision of technical assistance in crucial reform areas, notably tax administration, the management of the structural funds, the reform of the public administration, the coordination of monitoring of compliance with EU law as well as state aid coordination. This includes working on a sometimes daily basis in ministries in order to accompany and facilitate the reform process and the necessary coordination with the providers of technical assistance and where necessary other Commission services. They thus directly contribute to the strengthening of the administrative capacity of the Greek administration in the ongoing reforms.

4. DOMAIN LEADER

In some instances, a Member State or an international organisation with strong track record in a policy field may assume the responsibility of 'domain leader'. The domain leader may be involved at an early stage of the project, including in the definition of road-maps. In these instances, the TFGR facilitates on-going cooperation between the Greek authorities, the domain leader and other TA providers. In this regard, France and the Netherlands deserve special mention. These countries have assumed operational and financial responsibilities, deriving from their role as "domain leaders" on a number of projects.

Germany (domain leader for health and public administration at regional and local levels), Spain and Belgium (domain leader notably in selected areas of revenue administration) are other examples of Member States significant involvement in providing TA.

FINANCING OF TECHNICAL ASSISTANCE:

The TFGR has made increased use of small value contracts funded by the ESF. These interventions are an effective way to arrange for transfer of targeted expertise or advise to support specific operational aspects Greek reforms. Heaviest use of these contracts is continuously being made in the fields of business environment and public health and in parallel an increasing trend is shown in the area of financial institutions and bank restructuring. Over this reporting period, we had a 44% increase in the use of this financing instrument (16 additional contracts have been arranged for an amount of approximately EUR 220,000), whereas it has been actively used for the first time in the fields of anti-fraud, administration at central level, but also at regional level, and for the judicial reform and labour market.

Table A1: Signed small value contracts

Policy fields	Number of small value contracts signed	Committed amounts
Administrative reform at central level,e-Govrn	1	15,000€
Administrative reform at regional and local level	1	15,000€
Business environment and reform of product and service markets	27	329,880€
Financial sector,Bank restructuring and recapitalisation	3	35,000€
Privatisation,land use and land registry	1	15,000€
Public health	9	127,800€
Revenue Administration,PFM,Pensions	2	7,500€
Anti-corruption,anti-money laundering,anti-fraud	1	10,000€
Structural funds and sectoral issues	4	47,960€
Judicial reform,Migration,Asylum,State aids,Infringements	2	20,000€
Labour Market, R&D&I	1	14,890€
Total	52	638,030€

Note: Cut-off date 31 January 2014

To finance sometimes substantial needs for long-term support, the TFGR has mobilised available resources from the technical assistance budget lines of the European Social Fund (ESF), the European Regional Development Fund (ERDF) managed by the European Commission. The TFGR has arranged so far 10 grants and/or contribution/delegation agreements with international organisations (such as International Monetary Fund, World Bank Group) as well as national public bodies (ADETEF) for technical assistance to Greece for an amount of EUR 10.4 million. Additional efforts will be deployed to make effective use of eligible funds for technical assistance actions through 3 additional grants in the area of revenue administration, improving business environment and reform of the land use/land planning, as well as reform of the cadastre (land administration) for a total amount of EUR 2 million.

Despite the fact that the Commission has increased and used the EU centrally managed budget lines available to the TFGR for TA to the possible maximum, this still falls far short of what is needed to support implementation of important reform projects. The TFGR has therefore been in protracted discussion with the Greek authorities on using eligible unused resources from cohesion policy funds which are managed by the Greek authorities – notably the ESF-financed Administrative Reform Operational Programme (AROP). This was established to fund projects aimed at reforming/improving administrative capacity and structures across the Greek administration. The political decision to moving ahead is pending.

Technical assistance using Greek managed Structural Funds has been used in the area of health reform (through the World Health Organisation) and labour market (through the World Bank Group regarding the design and implementation of a Means-Tested Income Support Pilot Programme). It is to be hoped that similar agreements can now quickly be put in place for other projects so as to support the Greek authorities in implementing mature reform blue-prints.