GREECE: MEDIUM-TERM FISCAL STRATEGY 2012-15

1. Fiscal Performance and structural reforms in 2010

In 2010 Greece achieved the **largest fiscal consolidation in the Eurozone** by undertaking deep expenditure cuts and tax increases, and introducing a broad range of structural reforms (Table 1). The General Government deficit was reduced by 5 percentage points of GDP (from 15.4% to 10.5%), while the cyclically adjusted general government deficit was reduced by 6.7 percentage points of GDP (from 14.9% in 2009 to 8.2% in 2010). The primary deficit contracted by 5.4 percentage points of GDP (from 10.3% of GDP to 4.9%) and by 7.2 percentage points (from 9.8% to 2.6%) in cyclically-adjusted terms.

Primary expenditures declined from 47.6% in 2009 to 44.0% of GDP in 2010 with deep cuts in core areas such as public sector payroll, SOEs, social spending, military and operational expenditures. Public sector wages were cut by 15% in nominal terms, and public sector employment reduced by 82,400 people or 10% of the total. Deficits of SOEs declined by 20% with cuts in wages of up to 30% and ceilings on bonuses and wages. Pensions in the public and private sector were cut by 10% while social spending on pensions, illness and pharmaceutical benefits saw an overall reduction of almost 10% or 1.5% of GDP. Reductions in military and general government operational expenditures exceeded 1% of GDP.

Despite strong recessionary headwinds, **total revenues increased** as a percentage of GDP in 2010 from 37.3% in 2009 to 39.1% (the second largest increase in EU). This was based on higher excise taxes (raised by 33%); increases in VAT rates across the board by 20% (with the top rate raised from 19% to 23%); special levies on profitable firms, high income individuals and high-value real estate; a broadening of the tax base and a reduction of tax evasion (fines equivalent to over 1% of GDP imposed on tax violators, six-fold increase in audits of self-employed, stricter penalties for evasion).

Fiscal consolidation has been accompanied by **wide-ranging structural reforms**. A comprehensive pension reform completed ahead of schedule capped the actuarial deficit to 2060, raised the statutory retirement age, linked pension benefits to lifetime contributions, increased retirement penalties and abolished voluntary exit plans. Labour market reform introduced **a** fully symmetric arbitration system, reduced severance payments, cut overtime remuneration, introduced measures promoting part time employment.

Structural fiscal reforms included full independence for the Statistical Authority**,** with ensuing full validation of data by Eurostat; strengthening fiscal management with a medium-term framework, a commitment registry, binding expenditure ceilings in Ministries; tax reform with new administrative structures, shortened judicial procedures for tax cases, and a determined effort to combat tax evasion**;** local administration reform with municipalities reduced from 1034 to 325, and a decrease in local authority entities by 4000 (from 6000); online publication of all decisions involving commitments of funds in general government.

Business sector reforms have led inter alia to a simplification of the start-up of new businesses (set up in 1 day from 19 days); a “fast track” process for large investments legislated and implemented; the liberalization of the road haulage sector**,** with unlimited licenses and fees gradually declining to zero; the opening of closed professions**,** with the new law imposing default of opening effective July 1, 2011 and covering over 150 professions; restructuring of the railway (OSE) and urban transport sectors.

2. Main elements of the Medium-Term Fiscal Strategy (MTFS)

The Medium-Term Fiscal Strategy submitted to Parliament on June 8th 2011 continues the fiscal consolidation effort and lays out a detailed plan of measures amounting to **28.3 billion Euros or 12% of GDP** for the period 2011-15 that will allow Greece to achieve its fiscal targets under its Economic Adjustment Programme under conservative macroeconomic assumptions (Table 2) and reduce the general government deficit from 7.5% of GDP in 2011 to 2.6% of GDP in 2014 (Figure 1). Over the medium-term, this will require reducing the deficit to 14.9 billion Euros or 6.5% of GDP in 2012, 11.4 billion Euros or 4.9% of GDP in 2013, and 6.4 billion Euros or 2.6% of GDP in 2014.

In light of the high and rising interest payments, this deficit reduction effort will require a significant continuous improvement in the general government primary balance from -1.0% of GDP in 2011 to +6.7% in 2014 (Figure 2), with primary surpluses of 3.9 billion Euros or 1.7% of GDP in 2012, 9.4 billion Euros or 4.0% of GDP in 2013, and 16.3 billion Euros or 6.7% of GDP in 2014.

To achieve these targets and reverse the debt trajectory, **the MTFS has been frontloaded** with additional fiscal consolidation measures of 6.5 billion Euros or 2.9% of GDP in 2011 (23.1% of the total fiscal effort), 6.8 billion Euros or 3.0% of GDP in 2012 (24.0% of the total), 5.2 billion Euros or 2.2% of GDP in 2013 (18.5% of the total), and 5.4 billion Euros or 2.2% of GDP in 2014 (19.3% of the total fiscal effort). To consolidate these gains, the Government aims to further reduce the general government deficit to close to 1% of GDP in 2015, with measures of 4.3 billion Euros or 1.7 % of GDP.

Overall, the MTFS will reduce expenditures by 14.8 billion Euros or 6.3% of GDP and increase public revenue by 13.4 billion Euros or 5.7% of GDP.

The MTFS will reduce public expenditures from 51.4% of GDP in 2011 under the baseline scenario to around 44.4% of GDP in 2015 after the implementation of the measures. With interest expenditures rising by almost 3% of GDP, spending will have to be cut by close to 9.5% of GDP and will come from three main categories (Table 3): cuts in social transfers from 24% of GDP in 2011 to 20.0% in 2015; a reduction in the public sector wage bill from 9.6% of GDP in 2011 to 6.6% in 2015; and a reduction in intermediate consumption from 5.2% of GDP in 2011 to 3.0% in 2015.

Under the baseline scenario with no measures, public revenues are estimated to fall from 40.9% of GDP in 2011 to 37.6% of GDP in 2015 following the lapse of certain one-off measures taken in 2010 and 2011. Following the implementation of the permanent measures in the MTFS, public revenues will increase to 43.2% of GDP by 2015, just under the EU27 average (43.5%). This rise in general government revenues will be driven mainly by increases in direct tax revenue (from 7.0% of GDP in 2011 to 8.2% in 2015); in indirect tax revenue (from 12.2% of GDP in 2011 to 13.2% in 2015); and a rise in social contributions from 9.5% of GDP in 2011 to 10.5% in 2015.

This increase in public revenue under the MTFS includes a very conservative yield from improved tax compliance and reduced tax evasion of 1.5% of GDP (or 3 billion Euros) for the period 2012-15. This is significantly lower than the target in the government's "Action Plan for Combating Tax Evasion 2011-2013" for proceeds of 4% of GDP in 2012-13.

3. Key measures of the MTFS

One of the main objectives of the MTFS is to reduce the structural elements of the deficit by introducing targeted measures at every sub-sector of the General Government that achieve permanent fiscal consolidation while protecting vulnerable social groups. The main measures and their fiscal impact fall into the following categories (see Table 5 for details):

- **Rationalization of the public sector wage bill (0.9% of GDP):** Reduction in public sector workforce by 150.000 between 2011-15 (over 20% of the total); extension of weekly working hours; reduction in contractual staff; implementation of a new remuneration grid leading to significant savings; introduction of part-time employment and unpaid leave; transfer of excess employment to a labour reserve.

- **Public sector downsizing (2.4% of GDP):** Savings from closure/ merger of public entities and reduction in subsidies and reduction in operational expenditures (0.5% of GDP); savings from reorganization of State-owned Enterprises (0.6% of GDP) through the reduction in personnel costs, sale of non-core activities and assets, and tariff increases; reduction in defense expenditures (0.5% of GDP) including savings from the military procurement programme; reduction in the Public Investment Budget expenditures (0.2% of GDP); improved fiscal performance in Local Governments with fiscal rule that freezes earmarked central government revenue at 2011 levels (0.6% of GDP).

- **Controlling healthcare costs and pharmaceutical expenditures (0.7% of GDP):** cost rationalization for public healthcare (0.3% of GDP) through a central e-procurement system for hospitals, universal pricing of healthcare treatment and reduction of services provided to the non-insured (gate-keeping function); rationalization of pharmaceutical expenditures (0.4% of GDP) through standard prices for pharmaceuticals paid by all Social Security Funds, new prices for medicines, full roll-out of the e-prescription system.

- **Means-testing, targeting and rationalization of social benefits (1.9% of GDP):** Adjustment in size of supplementary pensions and freeze through 2015; cross-checking of beneficiaries information against criteria for provision of pension benefits; cuts in lump-sum payments paid on retirement; reform of the diability pension system; review of social benefits in cash and in kind leading to abolition of the least effective; means-testing in unemployment benefits; rationalization in employment subsidization programmes.

- **Increased revenues of Social Security Funds and reduction in contribution evasion (1.3% of GDP):** Action plan for reduction of undeclared employment and contribution evasion; introduction of solidarity contribution for unemployed to be paid by public sector employees, self-employed and private sector employees.

- **Broadening of the tax base and reduction in tax exemptions (2.4% of GDP):** Evaluation and reduction in tax deductions and exemptions; introduction of a solidarity contribution paid by all individuals on declared income and increase in presumptive income of the self-employed; broadening of the base for VAT rates and for property tax.

- **Improved tax compliance and reduction of tax evasion (1.2% of GDP)**: Increased revenues from improved compliance in VAT, personal and company income taxation, and in excise taxes through the implementation of the government's "Action Plan for Combating Tax Evasion 2011-2013".

4. Privatization Programme

The MTFS includes an ambitious privatization programme (Table 6) that aims to reduce Greece's public debt, attract private know-how and capital into critical sectors of the Greek economy, and support the economic recovery. The assets under the programme have an estimated value in excess of 50 billion Euros based on established valuation techniques (i.e. listed companies at market price, unlisted companies by reference to discounted projected cash flows, and real estate by reference to market comparators). The privatization of these assets can be used to reduce Greece's debt by as much as 20 percentage points of GDP.

The programme has the following revenue targets: 5 billion Euros by the end of 2011, 15 billion Euros by the end of 2012 (cumulatively), and 50 billion Euros by 2015 (cumulatively). It includes a **detailed inventory of targeted assets and timeline for divesting each asset**. The targeted assets include: (i) shareholdings in listed and non-listed state companies and banks; (ii) shareholdings in public infrastructure (e.g. airports, ports, highways); (iii) monopoly rights (ie gaming licences) and (iv) real estate. The programme has a quarterly transactions timetable through 2013, and an annual schedule for 2014 and 2015 (Table 6).

In 2011 alone, the Government plans to sell its 10% holding in the telecommunications company (OTE) by end-June 2011; holdings in the Hellenic Postbank, the Public Gas Corporation, Piraeus and Thessaloniki Ports, Thessaloniki Water, the railway operator TRAINOSE, Casino Mont Parnes, Hellenic Defense Systems, LARCO; the state lottery; extend concessions in Athens International Airport and in the gaming company OPAP (and subsequently sell holdings); as well as real estate assets starting in Q4 2011.

The steps for the development of the State's real estate portfolio are also outlined in the plan. A unified real estate asset inventory will be set up in June 2011 and completed by Q4 2012; legislation for surface rights and long-term leaseholds will be passed by end-August 2011; legislation to develop tourism properties and establish clear land titles by end-August 2011; and a framework law to assign land use will be passed by end-August 2011.

To accelerate transactions, **the government will establish a Privatization Agency** (the National Wealth Fund) into which to place assets for privatization. The Fund will become the sole shareholder of transferred assets, will have a mandate to privatize them at prevailing market conditions as soon as technically feasible and will not be able to transfer assets back to the government unless a transaction is completed, thereby “ring-fencing” assets and ensuring the irreversibility of the process. It will be provided with quarterly targets for proceeds to be transferred back to the Government and used for public debt reduction. It will finance its operations by an initial capital injection by the state and subsequently from an appropriate portion of privatization proceeds. It will be able to raise money, on market terms, including by discounting or selling revenue streams from specified assets (such as interests in concessions).

To ensure its transparent and effective operation, the Fund will be established under Greek law for 6 years, and be governed by a Board of Directors appointed by Parliament for a renewable fixed term. The European Commission and Eurogroup may appoint two observers in the Board of Directors. The Board will publish quarterly reports on its activities to be submitted to Parliament in which the status of each asset in the transaction process will be described. The Fund may also establish an Advisory Board to allow it to benefit from international experience and technical expertise.

Table 1: Comparison of budget and actual data 2009-2010								
	2009				2010			
	Budget	Actual	Deviation	Deviation (% GDP)	Budget	Actual	Deviation	Deviation (% GDP)
State Budget								
I. Revenue (1+2)	**65.972**	**50.585**	**-15.387**	**-6,5%**	**57.560**	**54.259**	**-3.301**	**-1,4%**
1. Net ordinary budget revenue (a+b+c)	**62.272**	**48.545**	**-13.727**	**-5,8%**	**53.700**	**51.187**	**-2.513**	**-1,1%**
a. Recurring Revenue	64.200	52.307	-11.893	-5,1%	56.950	54.383	-2.567	-1,1%
b. Non recurring revenue	1.372	1.190	-182	-0,1%	1.400	1.786	386	0,2%
c. Tax refunds	3.300	4.952	-1.652	-0,7%	4.650	4.982	-332	-0,1%
2. Investment Budget Revenue (a+b+c)	**3.700**	**2.040**	**-1.660**	**-0,7%**	**3.860**	**3.072**	**-788**	**-0,3%**
II. Expenditure (1+2)	**76.978**	**84.215**	**-7.822**	**-3,3%**	**82.796**	**75.690**	**6.135**	**2,6%**
1. Ordinary budget expenditure (a+b+c+d)	**68.178**	**74.627**	**-7.034**	**-3,0%**	**72.496**	**67.243**	**4.282**	**1,8%**
a. Primary expenditure	53.978	58.628	-4.650	-2,0%	56.846	52.627	4.219	1,8%
b. Grants to hospitals to cover their old dues		1.498	-1.498	-0,6%	0	375	-375	-0,2%
c. Interests	12.000	12.325	-325	-0,1%	12.950	13.223	-273	-0,1%
d. Payments for military expenditure	2.200	2.175	25	0,0%	2.700	1.017	1.683	0,7%
2. Investment budget	**8.800**	**9.588**	**-788**	**-0,3%**	**10.300**	**8.447**	**1.853**	**0,8%**
III. State budget deficit (I-II)	**-11.006**	**-33.630**	**-22.624**	**-9,6%**	**-25.236**	**-21.431**	**3.805**	**1,6%**
% GDP	*-4,2%*	*-14,3%*	*-10,1%*		*-10,3%*	*-9,2%*	*1,1%*	
III. a. Primary outcome (III-II1)	**994**	**-21.305**	**-22.299**	**-9,5%**	**-12.286**	**-8.208**	**4.078**	**1,8%**
% GDP	**0,4%**	**-9,1%**	**-9,4%**		**-5,0%**	**-3,5%**	**1,5%**	**0,0%**
IV. Balance of LGOs, SSFs, hospitals and other PLEs	**4.350**	**-2.150**	**-6.500**	**-2,8%**	**2.465**	**1.384**	**-1.081**	-0,5%
V. Financing of entities with special bonds	**-575**	**0**	**575**	**0,2%**	**-550**	**0**	**550**	**0,2%**
VI. National accounts adjustments	**1.390**	**-528**	**-1.918**	**-0,8%**	**595**	**-4.145**	**-4.740**	**-2,0%**
VII. General Government Balance (III+IV+V+VI)	**-5.266**	**-36.308**	**-31.042**	**-13,2%**	**-22.176**	**-24.191**	**-2.015**	**-0,9%**
% GDP	-2,0%	-15,4%	-13,4%		-9,1%	-10,5%	-1,4%	0,0%
GDP	**260.248**	**235.017**			**244.233**	**230.173**		

Table 2: Key Macroeconomic Variables							
	2009	2010	2011	2012	2013	2014	2015
GDP, euro billions, current prices							
Private consumption	172,6	172,7	169,1	168,8	172,5	176,3	180,2
% real growth	-2,2	-4,5	-4,8	-1,2	1,1	1,2	1,3
Total Investment (Gross fixed capital formation)	32,2	33,9	31,5	31,3	32,1	34,0	36,3
% real growth	-13,9	-16,5	-7,1	-2,2	1,1	4,0	5,0
Government consumption	49,7	41,9	37,7	36,5	36,5	36,8	37,3
% real growth	10,3	-6,5	-8,4	-4,0	-1,0	-0,3	0,3
Exports	44,3	48,2	52,4	56,5	61,7	67,1	72,5
% real growth	-20,1	3,8	6,4	6,7	7,2	6,8	6,1
Imports	69,5	67,7	67,1	66,5	69,0	73,1	76,6
% real growth	-18,6	-4,8	-4,2	-3,0	1,6	3,6	2,7
Gross Domestic Product	235,0	230,2	225,4	228,4	235,5	242,9	251,9
% real growth	-2,0	-4,5	-3,5	0,8	2,1	2,1	2,7
Prices							
Consumer Price Index (2000=100)	130,1	136,3	140,3	141,7	143,2	144,8	146,1
% change	1,1	4,7	2,9	1,0	1,1	1,0	0,9
GDP Deflator (2000=100)	130,4	133,7	135,7	136,3	137,7	139,0	140,3
% change	1,3	2,5	1,5	0,5	1,0	1,0	0,9
Euro/Dollar exchange rate	1,4	1,3	1,4	1,4	1,4	1,4	1,4
% change	-5,4	-4,3	5,8	0,0	0,0	0,0	0,0
Oil Price ($/barrel)	61,5	80,2	112,8	112,0	100,0	100,0	100,0
% change	-36,6	30,4	40,6	-0,7	-10,7	0,0	0,0
Labour Market							
Employment, 000 persons	4.758	4.658	4.509	4.495	4.536	4.568	4.604
% of population	42,2	41,2	39,8	39,6	39,9	40,1	40,3
Unemployment, 000 persons	471,0	628,7	766,8	792,9	767,5	747,6	724,9
% of workforce, national accounts basis	9,0	11,5	14,5	15,0	14,5	14,0	13,6
Compensation of employees, euro billions	88,6	83,5	79,6	79,7	80,0	80,4	80,7
Gross operating surplus/mixed income	123,7	121,8	119,5	121,4	128,1	134,9	143,3
Monetary Sector							
Interest Rate (short-term)	1,2	0,8					
Spread 10 year yields bonds (Greece-Germany), base points	200	635					
Credit Growth (to private sector)	4,1	2,1					
External Sector (% of GDP)							
External balance of goods and services	-10,7	-8,5	-6,5	-4,4	-3,1	-2,5	-1,6
Current account, national accounts basis	-14,0	-11,8	-10,0	-7,9	-6,6	-5,9	-5,0
Gross external debt	173,5	178,3					
Net international investment position	-84,9	-98,2					
External Environment (% change)							
World Output	-0,5	5,0	4,4	4,5	4,7	4,7	4,7
Euro area output	-4,1	1,8	1,6	1,7	2,0	2,0	2,0
World trade volume (goods and services)	-10,9	12,4	7,4	6,9	7,0	7,0	7,0
Euro area HICP	0,3	1,5	2,2	1,7	1,7	1,7	1,7

Figure 1: General government deficit 2006-2015

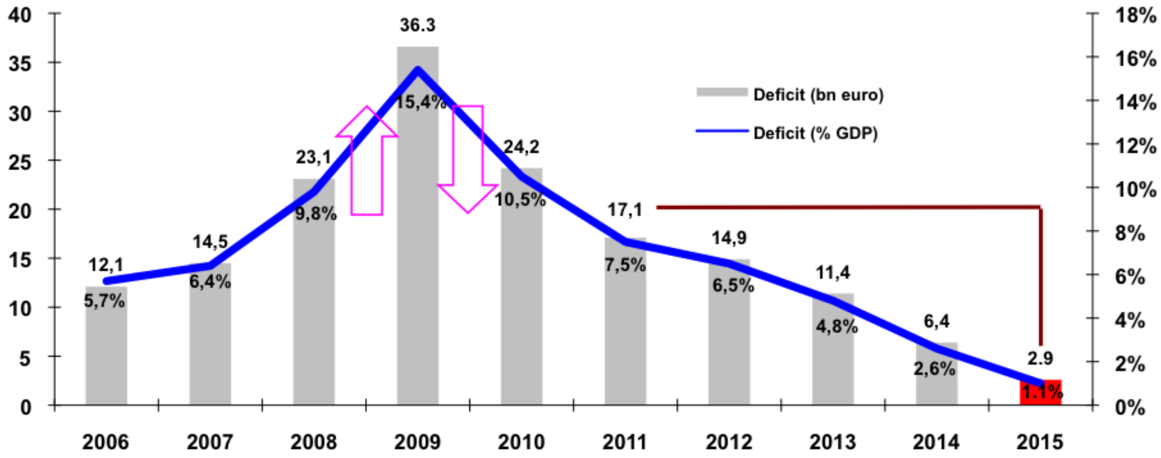

Figure 2: Primary balance of General Government (% of GDP)

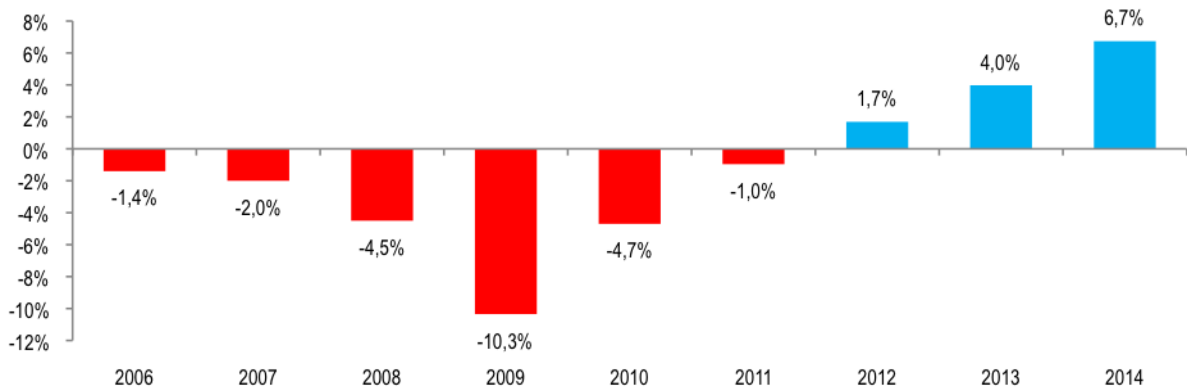

Figure 3: Baseline Scenario και MTFS for General Government Revenues and Expenditures

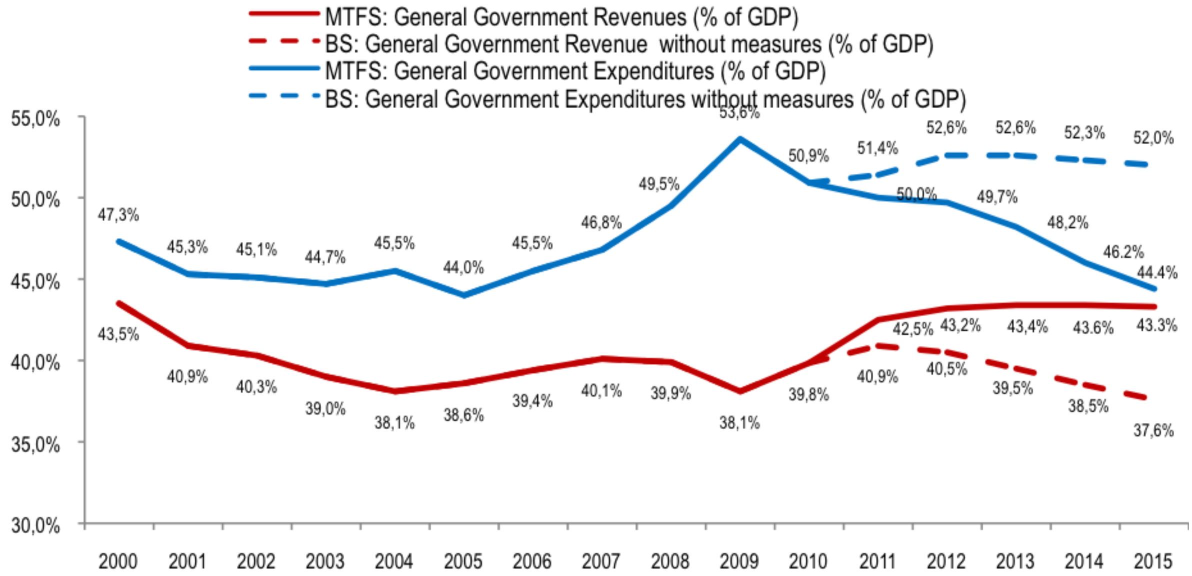

Table 3: Consolidated general government deficit (baseline scenario and MTFS)										
As % of GDP										
	2011		**2012**		**2013**		**2014**		**2015**	
	B.S.	**MTFS**	**B.S.**	**MTFS**	**B.S.**	**MTFS**	**B.S.**	**MTFS**	**B.S.**	**MTFS**
Total Revenue	**40,9**	**42,6**	**40,5**	**43,7**	**39,5**	**43,5**	**38,5**	**43,5**	**37,6**	**43,2**
Indirect taxes	12,2	12,7	12,3	13,3	12,2	13,3	12,0	13,3	11,9	13,2
Direct taxes	7,0	7,5	6,2	7,6	6,1	7,8	6,0	8,0	5,9	8,2
Social contributions	9,5	9,9	9,6	10,1	9,2	10,0	9,3	10,5	9,2	10,5
Transfers received	2,1	2,1	2,1	2,1	2,2	2,2	1,6	1,6	1,5	1,5
Sales of Goods & Services	1,0	1,0	1,1	1,1	0,9	1,0	0,9	1,0	0,8	0,9
Return on assets (incl. interest)	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6
Other revenues	8,6	8,8	8,5	8,8	8,2	8,6	8,1	8,5	7,7	8,2
Total Expenditure	**51,4**	**50,0**	**52,6**	**49,7**	**52,6**	**48,2**	**52,3**	**46,4**	**52,0**	**44,8**
Compensation of Employees	9,5	9,1	9,0	8,2	8,5	7,7	8,1	7,0	7,8	6,6
Intermediate Consumption	5,2	4,9	4,9	4,4	4,7	3,9	4,8	3,6	4,2	3,0
Social Transfers (other than in kind)	24,0	23,6	24,1	23,1	23,4	21,9	22,6	20,8	21,9	20,0
Interest	6,5	6,5	7,8	7,6	9,2	8,4	10,6	9,1	11,8	9,3
Other Current Expenditure	1,4	1,3	1,5	1,4	1,4	1,3	1,4	1,3	1,3	1,2
Gross Fixed Capital Formation	3,6	3,3	3,6	3,4	3,6	3,4	3,5	3,2	3,3	3,1
Other capital expenditure	1,1	1,1	1,1	1,1	1,3	1,2	0,8	0,7	0,9	0,9
Unallocated Reserve	0,3	0,3	0,7	0,6	0,6	0,6	0,7	0,6	0,7	0,7
Measures to be finalized		0,0		0,1		0,3		0,4		0,5
General Government Accrual Balance	**-10,5**	**-7,4**	**-12,0**	**-5,9**	**-13,1**	**-4,4**	**-13,8**	**-2,5**	**-14,4**	**-1,1**
In bn euros										
	2011		**2012**		**2013**		**2014**		**2015**	
	B.S.	**MTFS**	**B.S.**	**MTFS**	**B.S.**	**MTFS**	**B.S.**	**MTFS**	**B.S.**	**MTFS**
Total Revenue	**92.291**	**95.972**	**92.606**	**99.754**	**93.013**	**102.463**	**93.430**	**105.616**	**94.707**	**108.672**
Indirect taxes	27.469	28.569	28.104	30.294	28.663	31.293	29.243	32.353	29.861	33.341
Direct taxes	15.703	17.003	14.247	17.440	14.406	18.425	14.632	19.441	14.917	20.600
Social contributions	21.505	22.272	21.992	23.096	21.759	23.560	22.583	25.488	23.130	26.371
Transfers received	4.783	4.783	4.885	4.871	5.115	5.102	3.774	3.766	3.710	3.704
Sales of Goods & Services	2.163	2.163	2.465	2.518	2.220	2.409	2.113	2.442	2.026	2.371
Return on assets (incl. interest)	1.365	1.365	1.419	1.419	1.424	1.424	1.519	1.519	1.559	1.559

Other revenues	19.304	19.818	19.495	20.117	19.427	20.250	19.565	20.606	19.504	20.726
Total Expenditure	**115.844**	**112.659**	**120.105**	**113.610**	**123.923**	**113.550**	**127.025**	**112.810**	**130.890**	**112.934**
Compensation of Employees	21.444	20.583	20.459	18.699	20.054	17.774	19.783	17.101	19.553	16.689
Intermediate Consumption	11.626	10.990	11.235	9.955	10.997	9.124	11.577	8.841	10.689	7.465
Social Transfers (other than in kind)	54.089	53.219	54.998	52.703	55.056	51.536	54.816	50.464	55.212	50.460
Interest	14.544	14.544	17.856	17.456	21.705	19.805	25.754	22.154	29.660	23.460
Other Current Expenditure	3.110	3.010	3.333	3.163	3.285	3.114	3.340	3.169	3.293	3.122
Gross Fixed Capital Formation	8.037	7.337	8.250	7.750	8.400	7.900	8.400	7.807	8.400	7.689
Other capital expenditure	2.414	2.395	2.513	2.424	2.967	2.836	1.851	1.769	2.313	2.279
Unallocated Reserve	580	580	1.460	1.460	1.460	1.460	1.505	1.505	1.770	1.770
Measures to be finalized		9		286		691		1.237		1.371
General Government Accrual Balance	**-23.552**	**-16.678**	**-27.499**	**-13.571**	**-30.910**	**-10.396**	**-33.595**	**-5.957**	**-36.183**	**-2.891**
GDP (in bn euros)	225.400	225.400	228.400	228.400	235.500	235.500	242.900	242.900	251.900	251.900

Table 4: Medium-Term Fiscal Strategy 2011-2015 (ESA 95)
(million Euros)

	2009	2010	2011	2012	2013	2014	2015
	Actuals	Actuals	Estimates	Projections	Projections	Projections	Projections
I. Revenues	**50.585**	**54.259**	**58.600**	**60.959**	**62.454**	**63.192**	**64.924**
1. Net Revenues	**48.545**	**51.187**	**54.675**	**56.344**	**57.661**	**59.347**	**61.286**
a. Ordinary Revenues	52.307	54.383	56.225	57.783	59.507	61.220	63.564
1. Direct taxes	21.431	20.223	20.649	20.634	21.597	22.464	23.621
2. Indirect taxes	28.293	31.043	30.757	32.435	33.464	34.557	35.581
3. Transfers from EU	264	320	185	148	165	174	176
4. Non-tax revenues	2.319	2.797	4.634	4.566	4.281	4.025	4.186
b. Non-recurrent revenues	1.190	1.786	2.250	2.258	1.900	1.927	1.580
c. Tax refunds	4.952	4.982	3.800	3.697	3.746	3.800	3.858
2. PIB Revenues	**2.040**	**3.072**	**3.925**	**4.615**	**4.793**	**3.845**	**3.638**
a. EU flows	1.734	2.634	3.192	3.616	3.842	2.910	2.730
b. Other revenues	123	167	530	788	746	732	706
c. Own revenues	183	271	203	211	205	203	202
II. Expenditure	**84.215**	**75.690**	**79.671**	**79.491**	**83.467**	**83.363**	**85.399**
1. Total ordinary expenditure	**74.627**	**67.243**	**71.871**	**71.491**	**75.467**	**75.363**	**77.399**
a. Primary expenditure (1+2+3+4+5)	**58.043**	**51.656**	**52.450**	**51.088**	**51.977**	**50.700**	**50.996**
1. Wages and Pensions	24.487	22.139	21.632	20.846	20.675	20.470	20.460
2. Insurance and Healthcare	17.779	15.747	17.664	15.722	16.567	15.497	15.620
3. Operating and other expenditure	9.326	8.107	7.261	7.289	7.157	6.981	6.791
4. Earmarked spending	6.452	5.663	5.312	5.772	6.117	6.246	6.355
5. Other undistributed expenditures	0	0	0	50	50	100	100
6. Reserve	0	0	580	1.410	1.410	1.405	1.670
b. 1. Guarantees of PEs reclassified to GG	484	827	1.245	1.518	1.979	1.024	1.636
2. Guarantees of PEs remaining outside GG	100	145	224	134	211	139	67
c. Interest Expenditure	12.325	13.223	16.002	16.900	19.500	22.000	23.400
d. Transfers to hospitals for past debts	1.498	375	450	350	300	300	300
e. Payments for military procurements	2.175	1.017	1.500	1.500	1.500	1.200	1.000
2. PIB	**9.588**	**8.447**	**7.800**	**8.000**	**8.000**	**8.000**	**8.000**
III. State Budget Balance	**-33.630**	**-21.431**	**-21.071**	**-18.532**	**-21.013**	**-20.171**	**-20.475**
% GDP	-14,3%	-9,3%	-9,3%	-8,1%	-8,9%	-8,3%	-8,1%
III.a. Primary State Budget Balance	**-21.305**	**-8.208**	**-5.069**	**-1.631**	**-1.513**	**1.829**	**2.925**
ESA95 adjustments for central government	**-528**	**-4.145**	**708**	**-1.371**	**-1.041**	**-678**	**-384**
Public Entities Balance	**647**	**878**	**1.232**	**1.140**	**1.213**	**1.286**	**1.488**

Reclassified Public Corporations Balance	**-1.593**	**3.059**	**1.248**	**1.818**	**2.677**	**1.992**	**2.795**
ESA95 Central Government Balance	**-35.104**	**-21.638**	**-17.883**	**-16.944**	**-18.164**	**-17.571**	**-16.576**
Local Government Balance	**27**	**-379**	**-341**	**385**	**1.011**	**1.537**	**1.843**
Local Government ESA95 adjustments	**-158**	**-186**	**225**	**223**	**313**	**0**	**0**
ESA95 Local Government Balance	**-131**	**-565**	**-117**	**608**	**1.324**	**1.537**	**1.843**
Social Security Funds Balance	**393**	**369**	**2.090**	**2.629**	**5.953**	**9.039**	**10.671**
Social Security Funds ESA95 adjustments	**-1.466**	**-2.357**	**-778**	**-150**	**-200**	**-200**	**-200**
ESA95 Social Security Funds Balance	**-1.074**	**-1.988**	**1.312**	**2.479**	**5.753**	**8.839**	**10.471**
Measures to be finalized			**9**	**286**	**691**	**1.237**	**1.371**
ESA95 General Government Balance	**-36.308**	**-24.191**	**-16.678**	**-13.571**	**-10.396**	**-5.957**	**-2.891**
% GDP	-15,4%	-10,5%	-7,4%	-5,9%	-4,4%	-2,5%	-1,1%
GDP	235.017	230.173	225.400	228.400	235.500	242.900	251.900

Note: Contingency measures accounting for 1.220 million Euros identified for unanticipated deviations from budget targets in 2015 have not been included in the projection of the 2015 deficit, as these may not need to be implemented.

Table 5: Measures comprising the Medium-Term Fiscal Strategy 2011-2015 (million Euros)

	Description of Measure	2011	2012	2013	2014	2015	2011-2015	% GDP
1.	**Rationalization of the public sector wage bill**	**800**	**660**	**398**	**246**	**71**	**2.175**	**0,9%**
1. 1	Restriction on hiring (implementation of the 1: 10 attrition rule in 2011 and extension of 1:5 until 2015), freeze on wage drift, better utilization of existing human resources etc	350	170	200	200	50	970	0,4%
1. 2	Increase in weekly working hours for public sector employees from 37,5 to 40 hours and reduction in overtime payments, further reduction in supplementary compensation	130	310	0	0	0	440	0,2%
1. 3	Reduction in contractual employees (50% in 2011 and by 10% each following year)	245	35	28	21	21	350	0,2%
1. 4	Introduction of part-time employment in the public sector and long-term unpaid leave	75	145	170	25	0	415	0,2%
2.	**Reduction in Operational Expenditures**	**140**	**90**	**98**	**223**	**33**	**584**	**0,2%**
2. 1	Reduction in the subsidies for newspaper distribution	20	20	0	0	0	40	0,0%
2. 2	7% withholding of operational expenses of the public sector (excluding fixed costs such as rents, cleaning services, etc.)	80	0	0	0	0	80	0,0%
2. 3	Reduction in procurement expenses of the Bank of Greece	40	0	0	0	0	40	0,0%
2. 4	Full implementation of e-procurement platform	0	42	61	23	20	146	0,1%
2. 5	Rationalization of variable operational costs (energy, telecommunications, rents) and complete roll-out of the MIS to monitor expenses	0	28	37	200	13	278	0,1%
3.	**Closure/ Merger of public entities/ reduction in subsidies**	**491**	**89**	**102**	**70**	**19**	**770**	**0,3%**
3. 1	Reduction in subsidies to entities outside General Government	291	0	0	0	0	291	0,1%
3. 2	Closure/merger of public entities (including implementation of Action Plan for largest entities)	200	89	102	70	19	479	0,2%
4.	**Reorganization of State-owned Enterprises**	**0**	**414**	**329**	**298**	**274**	**1.314**	**0,6%**
4. 1	Increased revenues of urban transport entities (rise in tariffs)	0	0	120	120	0	240	0,1%
4. 2	Implementation of restructuring plans of SOEs	0	119	28	41	147	335	0,1%
4. 3	Sale of non-core activities	0	25	25	25	25	100	0,0%
4. 4	Reduction in personnel expenses	0	200	75	39	38	352	0,2%
4. 5	Reduction of operational expenses and savings from the closure/merger of certain activities	0	70	81	72	64	287	0,1%
5.	**Reduction in Defense Expenditure**	**0**	**200**	**333**	**333**	**333**	**1.200**	**0,5%**
5. 1	Reduction in operational expenses	0	0	133	133	133	399	0,2%

	Table 5: Measures comprising the Medium-Term Fiscal Strategy 2011-2015 (million Euros)							
	Description of Measure	**2011**	**2012**	**2013**	**2014**	**2015**	**2011-2015**	**% GDP**
5. 2	Savings from the military procurement programme (1)	0	200	200	200	200	800	0,3%
6.	**Rationalization of costs of public healthcare services**	**60**	**204**	**149**	**153**	**188**	**754**	**0,3%**
6. 1	Special Levy on enterprises exempted from the public smoking ban	40	0	0	0	0	40	0,0%
6. 2	Increase in hospital revenues with (I) Rental of beds and health services to private health insurers, (II) introduction of charge for foreigners receiving healthcare services, (III) services provided to the uninsured	20	20	10	15	75	140	0,1%
6. 3	New Health Map	0	64	64	38	38	204	0,1%
6. 4	Central Procurement System for hospitals and universal pricing of healthcare treatment	0	50	75	100	75	300	0,1%
6. 5	Savings from establishing the National Organization for Primary Healthcare as single public health insurance fund	0	70	0	0	0	70	0,0%
7.	**Rationalization of medical pharmaceutical expenditures**	**250**	**493**	**200**	**42**	**0**	**985**	**0,4%**
7. 1	Introduction of doctor's e-prescriptions and full roll-out of the electronic prescription system in all public hospitals	35	208	100	42	0	385	0,2%
7. 2	Expansion of list of pharmaceuticals not paid by SSFs	30	10	0	0	0	40	0,0%
7. 3	New pricing policy for pharmaceuticals paid by (2011)	100	30	0	0	0	130	0,1%
7. 4	Introduction of standard prices for pharmaceuticals paid by all Social Security Funds	85	245	100	0	0	430	0,2%
8.	**Reduction in expenses of SSFs and rationalization of social spending**	**1.008**	**1.260**	**1.025**	**790**	**400**	**4.483**	**1,9%**
8. 1	Rationalization of benefits and beneficiaries of OEE-OEK and OAED and other welfare benefits provided	345	251	65	0	0	661	0,3%
8. 2	Means-testing for provision of pension benefits	330	251	130	80	50	841	0,4%
8. 3	Reduction of lump-sum pensions in line with contributions	120	130	0	0	0	250	0,1%
8. 4	Adjustment in supplementary pensions	50	310	200	200	100	860	0,4%
8. 5	Introduction of special contribution of 8% for pensioners under 60 years old with monthly pensions above €1.700 and increase in solidarity contribution for pensions above €1.700	88	88	0	0	0	176	0,1%
8. 6	Containment of pension expenses of Sailors Insurance Fund (reduction of 6%)	50	50				100	0,0%
8. 7	Stricter inspection of beneficiaries of disability pensions	25	80	120	180	220	625	0,3%
8. 8	Reduced expenditure on the main OGA pensions and stricter criteria for beneficiaries based on permanent residence	0	100	50	30	30	210	0,1%
8. 9	Comprehensive review and rationalization of social programmes	0	0	460	300	0	760	0,3%
9.	**Increased revenues of Social Security Funds and reduction in contribution evasion**	**629**	**259**	**713**	**1.127**	**337**	**3.065**	**1,3%**
9. 1	Solidarity contribution by public sector employees for combating unemployment	455	0	0	0	0	455	0,2%
9. 2	Solidarity contribution by self-employed for combating unemployment	100	0	0	0	0	100	0,0%
9. 3	Increase in contribution of private sector employees for combating unemployment	74	219	4	4	4	305	0,1%
9. 4	Increase in contribution of beneficiaries of OGA and ETAA	0	40	60	185	0	285	0,1%
9. 5	Introduction of solidarity fund in OAEE	0	0	150	450	0	600	0,2%
9. 6	Measures to reduce undeclared employment and contribution evasion	0	0	499	488	333	1.320	0,5%
10	**Improved tax compliance and reduction in tax evasion**	**0**	**0**	**878**	**975**	**1.147**	**3.000**	**1,2%**
10. 1	Improved VAT compliance	0	0	250	244	200	694	0,3%
10. 2	Improved Personal income taxation compliance	0	0	125	244	400	769	0,3%
10. 3	Improved Company taxation compliance	0	0	250	244	400	894	0,4%
10. 4	Reduction in smuggling (alcohol, tobacco,	0	0	162	146	80	389	0,2%
10. 5	Improved compliance in Other Taxes	0	0	91	97	67	255	0,1%
11.	**Reduction in tax exemptions/increases in other revenue**	**2.450**	**2.880**	**450**	**300**	**0**	**6.080**	**2,7%**

Table 5: Measures comprising the Medium-Term Fiscal Strategy 2011-2015 (million Euros)

	Description of Measure	2011	2012	2013	2014	2015	2011-2015	% GDP
11. 1	Evaluation and reduction in tax deductions and exemptions	100	500	300			900	0,4%
11. 2	Introduction of a solidarity contribution by all individuals and increase in presumptive income of the self-employed	400	1.400				1.800	0,8%
11. 3	Increase in VAT on catering/restaurants (food, drinks etc) from 13% to 23% as of 1/9/2011	300	700	0	0	0	1.000	0,4%
11. 4	Changes in the recurrent property ownership tax	500	215	200	300	0	1.215	0,5%
11. 5	Taxation of unauthorised buildings and settlement of planning infringements (homes, swimming pools)	300	-200	0	0	0	100	0,0%
11. 6	Changes in tax regime for tobacco (accelerated payment of excise duty from 56 to 26 days and in the structure of rate)	150	150	0	0	0	300	0,1%
11. 7	Regulation on private boats/yachts	150	-100	-50	0	0	0	0,0%
11. 8	Higher VAT rates on natural gas, liquefied gas and soft drinks	250	315	0	0	0	565	0,2%
11. 9	Increase in vehicle tax	100	0	0	0	0	100	0,0%
11. 10	Emergency tax on vehicles and high-value real estate	100	-100	0	0	0	0	0,0%
11. 11	Financial transaction tax	100	0	0	0	0	100	0,0%
12.	**Improved fiscal performance of Local Governments**	**0**	**355**	**345**	**350**	**305**	**1.355**	**0,6%**
12. 1	Reduction in expenses with equivalent reduction in subsidies to Local Governments	0	250	175	170	160	755	0,3%
12. 2	Increase in revenues from local tolls, fees, rights and other taxes following the merging of Local Administrations	0	105	120	130	145	500	0,2%
12. 3	Increase in local tax compliance following the introduction of local tax clearance certificate requirement	0	0	50	50	0	100	0,0%
13.	**Rationalization of Public Investment Budget expenditure**	**700**	**-196**	**0**	**0**	**0**	**504**	**0,2%**
13. 1	Reduction in capital expenditure and transfers (Public Investment Budget)	700	-350	0	0	0	350	0,2%
13. 2	Reduction in administrative costs associated with National Strategic Reference Framework (ESPA)	0	154	0	0	0	154	0,1%
								0,0%
	Measures to be finalized	9	277	405	547	133	1.371	0,6%
	Contingency Measures	0	0	0	0	1.220	1.220	0,5%
	TOTAL FISCAL IMPACT	**6.537**	**6.785**	**5.224**	**5.453**	**4.260**	**28.259** [1]	**12,0%**
	FISCAL IMPACT OF EXPENDITURE MEASURES	**3.310**	**3.408**	**2.858**	**2.711**	**2.531**	**14.818**	**6,3%**
	FISCAL IMPACT OF REVENUE MEASURES	**3.227**	**3.377**	**2.366**	**2.742**	**1.729**	**13.441**	**5,7%**
	GDP	**225.449**	**228.390**	**235.523**	**242.886**	**251.930**		

(1) A reduction in expenditure on military procurement (sub-category 5.2) of 600 million Euros over the years 2012, 2013 and 2015 has been included in the baseline scenario and for this reason is not included in the sum of the total fiscal impact of measures shown here.

Table 6: Privatization Programme 2011-2015

Year	Name	Date	Participation	For Sale	Type of Sale
2011					
	Hellenic Telecommunications Organisation (OTE)	Q2	16.0%	10,0%	Sale of shares
	Thessaloniki Water Supply and Sewerage	Q3	74,0%	40%	Sale of SPV shares
	Athens International Airport (AIA)	Q3	100,0%	-	Concession Extension
	Hellenic Football Prognostics Organisation 1	Q3	100,0%	-	Concession Extension
	Hellenic Football Prognostics Organisation 2	Q3	100,0%	-	New gaming licenses
	Thessaloniki Port	Q3	74,3%	23,3%	Sale of SPV shares

	State Lotteries	Q3	100,0%	100,0%	Sale of SPV shares
	Piraeus Port	Q4	74,1%	23,1%	Sale of SPV shares
	Hellenic Defence Systems (EAS)	Q4	99,8%	99,8%	Sale of shares
	Hellenic Postbank	Q4	34,0%	34,0%	Sale of shares
	Public Gas Corporation (DEPA)	Q4	65,0%	55,0%	Sale of shares
	National Natural Gas System Operator (DESFA)	Q4	65,0%	31,0%	Sale of shares
	Railway Operator (TRAINOSE)	Q4	100,0%	100,0%	Sale of shares
	LARCO (nickel plant)	Q4	55,2%	55,2%	Sale of shares
	Alpha Bank	Q4	0,6%	0,6%	Sale of shares
	National Bank of Greece	Q4	1,2%	1,2%	Sale of shares
	Hellenic Horse Racing Company (ODIE)	Q4	100,0%	100,0%	Sale of shares
	Mobile Telephony Licenses	Q4	100,0%	100,0%	Concession Extension
	Casino Mont Parnes	Q4	49,0%	49,0%	Sale of shares
	Hellenic Vehicle Industry (ELBO)	Q4	72,6%	72,6%	Sale of shares
	Hellenic Football Prognostics Organisation	Q4	34,0%	34,0%	Sale of shares
	Hellinikon 1	Q4	100,0%	-	Sale of SPV shares
	Four Airbus Aircraft	Q4	100,0%	100,0%	Sale
	Real Estate Assets 1	Q4	100,0%	-	Sale of SPV shares

Table 6 (continued): Privatization Programme 2011-2015

Year	Name	Date	Participation	For Sale	Type of Sale
2012					
	Athens International Airport (AIA)	Q1	55,0%	≥ 21%	Sale of SPV shares
	Hellenic Petroleum (ELPE)	Q1	35,5%	35,5%	Sale of shares
	Piraeus Bank	Q1	1,3%	1,3%	Sale of shares
	Hellenic Agricultural Bank (ATE)	Q1	77,3%	26,2%	Sale of shares
	Egnatia Odos Motorway	Q1	100,0%	100,0%	Sale of SPV shares
	Hellenic Post (ELTA)	Q1	90,0%	≥ 40%	Sale of shares
	Ports 1	Q1	100,0%	100,0%	Sale of SPV shares
	Athens Water Supply and Sewerage Company	Q2	61,3%	27,3%	Sale of SPV shares
	Loan and Consignment Fund	Q2	100,0%	100,0%	Sale of SPV shares
	Real Estate Assets 2	Q2	100,0%	100,0%	Sale of SPV shares
	Public Power Corporation (PPC)	Q3	51,0%	17,0%	Sale of shares
	Hellenic Motorways 1	Q3	100,0%	100,0%	Sale of SPV shares
	Regional Airports 1	Q3	100,0%	100,0%	Sale of SPV shares
	Hellinikon 2	Q4	100,0%	-	Sale of SPV shares
	Real Estate Assets 3	Q4	100,0%	-	Sale of SPV shares
	Digital Dividend 1	Q4	100,0%	100,0%	Sale of rights
	Thessaloniki Water Supply and Sewerage	Q4	34,0%		Sale of SPV shares
	Hellenic Goldmines 1	Q4	100,0%	100,0%	Sale of SPV shares
2013					
	Offshore Gas Storage Facility	Q1	100,0%	100,0%	Sale of SPV shares
	Regional Airports 2	Q2	100,0%	100,0%	Sale of SPV shares
	Ports 2	Q2	100,0%	100,0%	Sale of SPV shares
	Real Estate Assets 4	Q3	100,0%	100,0%	Sale of SPV shares
	Hellenic Goldmines 2	Q3	100,0%	100,0%	Sale of SPV shares
	Digital Dividend 2	Q4	100,0%	100,0%	Sale of rights
	Athens Water Supply and Sewerage Company	Q4	34,0%		Sale of SPV shares
	Hellenic Motorways 2	Q4	100,0%	100,0%	Sale of SPV shares
2014					
	Hellenic Motorways 3		100,0%	100,0%	Sale of SPV shares
	Real Estate Assets		100,0%	-	Sale of SPV shares
2015					
	Hellenic Motorways 4		100,0%	-	Sale of SPV shares
	Real Estate Assets		100,0%	-	Sale of SPV shares