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from:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
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to:	Mr Pierre de BOISSIEU, Secretary-General of the Council of the European Union
Subject:	Communication from the Commission to the Council Follow-up to the Council Decision of 10 May 2010 addressed to Greece, with a view to reinforcing and deepening fiscal surveillance and giving notice to Greece to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit.

Delegations will find attached Commission document COM(2010) 439 final.

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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

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1. INTRODUCTION

This Communication assesses the measures implemented by end-June 2010 by Greece to comply with the Council Decision 2010/320/EU of 10 May 2010,[1] on the basis of the report submitted to the Council and the Commission by Greece on 6 August 2010.[2] The report submitted by Greece discusses not only the fiscal measures that aim at reducing the government deficit ratio in 2010, but also the wide-ranging structural reforms that are being adopted and implemented by the Greek government.[3]

2. THE COUNCIL DECISION OF 10 MAY 2010

On 10 May 2010, the ECOFIN Council adopted Decision 2010/320/EU, under Articles 126(9) and 136 TFEU, addressed to Greece, with a view to reinforcing and deepening the fiscal surveillance and giving notice to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit.[4]

The Council Decision requires Greece to adopt a number of measures before the deadlines of end June 2010, end September 2010, end December 2010 and end March 2011. The implementation of these measures shall aim at general government deficits not exceeding:

- EUR 18 508 million (8.0% of GDP, on the basis of the nominal GDP projected in May) in 2010;
- EUR 17 065 million (7.6% of GDP) in 2011;
- EUR 14 916 million (6.5% of GDP) in 2012;
- EUR 11 399 million (4.9% of GDP) in 2013 and

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1 OJ L 145, 11.6.2010, p. 6.

2 *The Economic Adjustment Programme for Greece – Report submitted in accordance with Council Decision – July 2010*, submitted on 6 August 2010. The report has been submitted by the Greek government; it includes an annex on banking supervision provided by the Bank of Greece.

3 This Communication and a companion Commission services' report prepared in liaison with the ECB (*The Economic Adjustment Programme for Greece – First Review,* August), also contribute to the assessment of compliance with the Memorandum of Understanding on Specific Economic Policy Conditionality of May, in the context of the loan facility agreement between Greece and the euro-area Member States.

4 For a synopsis of the previous steps in the implementation of the excessive deficit procedure and the Stability and Growth Pact in Greece, see the Commission assessment of the Greek stability programme of January 2010 (SEC (2010) 94 final of 3 February 2010).

- EUR 6 385 million (2.6% of GDP) in 2014.[5]

3. Action Taken by Greece in Response To The Council Decision By end-June 2010

In the course of 2010, Greece has adopted four packages of fiscal measures:

- in January, in the context of the stability programme;
- in February, just before the assessment by the Commission of the stability programme;
- in March, in response to the Council Decision of 16 February 2010 under Article 126(9),[6] and
- in May, in response to the Council Decision of 10 May 2010 and the conditionality criteria in the Memorandum of Economic and Financial Policies (MEFP), the Memorandum of Understanding on Specific Economic Policy Conditionality (MoU).[7]

This communication assesses the measures taken from May 2010 on.[8]

On 6 May 2010, Greece adopted Law 3845/2010, on the policy measures relating to the conditionality criteria of the euro area/IMF financing package. The vast majority of the fiscal and structural measures included in the law were implemented with immediate effect. Among the revenue-side measures, there were increases in the VAT rates, increases in excise taxes on petrol, tobacco and alcohol, as well as the imposition of a tax on advertisement. On the expenditure side, there were further reductions in public sector wages, and reductions in pensions paid by social security funds to public and private sector retirees.

The budgetary impact on 2010 accounts of the measures adopted by Greece on 6 May 2010 is estimated to amount to 2.5% of GDP. Those measures consisted of permanent revenue enhancing measures (½% of GDP or EUR 1.25 billion) and permanent expenditure cuts (1.9% of GDP or EUR 4.55 billion). Moreover, those measures will have deficit-decreasing carry-overs effects on the 2011 accounts of 1.1% of GDP.

The sum of the four fiscal packages adopted by Greece, adds to the initial 2010 budget which had been put forward by the Government in October 2009 and adopted by the Greek Parliament in late December 2009. These four packages of measures are quantified at around

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5 The adjustment path established by the Decision requires that the annual change in the general government consolidated gross debt shall not exceed: EUR 34 058 million (with a total debt-to-GDP ratio of 133.2%) in 2010; EUR 17 365 million (with a total debt-to-GDP ratio of 145.2%) in 2011;EUR 15 016 million (with a total debt-to-GDP ratio of 148.8%) in 2012; EUR 11 599 million (with a total debt-to-GDP ratio of 149.6%) in 2013 and EUR 7 885 million (with a total debt-to-GDP ratio of 148.4% of GDP) in 2014.

6 OJ L 83, 30.3.2010, p. 13.

7 These memoranda were agreed in the context of the decision by the euro-area Member States to provide financial assistance to Greece, in conjunction with a stand-by arrangement (SBA) with the IMF.

8 For an assessment of the measures of January, February and March, see the Commission Communication of 9.3.2010 (COM (2010) 91 final).

8% of GDP (excluding deficit-decreasing carry-overs to 2011) and are expected to reduce the government deficit from 13.6% of GDP in 2009 to 8% in 2010.[9]

Annex I summarizes the specific measures requested by the Council Decision of 10 May 2010 to be adopted by end-June 2010. Annex II elaborates on the measures that, according to the Council Decision have a deadline in September 2010.[10]

3. THE BUDGETARY EXECUTION UP TO END-JUNE 2010

State budgetary developments over the first half of 2010 have been positive with the deficit declining faster than planned.[11] However a number of risks, as discussed below need to be considered.

According to the cash data through end June published by the General Accounting Office (GAO), the state cash deficit has shrunk by some 46%, as compared to the respective period in 2009. The targeted annual contraction for that deficit is 40% (see Table 1). This reduction in the deficit beyond plans was mainly the result of lower-than-expected expenditure, which compensated for revenue collection that has been less dynamic than expected.

Total state cash outflows were reduced by 16.9% compared to the first half of 2009. (The official target reduction of expenditures for the year as a whole is 5.3%.) State primary spending has been EUR 5.6 billion below plans of May 2010. This contraction mainly reflects primary expenditure cuts (including public wages), but also capital expenditure. Note, however, that some of the expenditure savings decided in May (for example the cuts in Christmas bonuses paid to civil servants and pensioners) have not been fully reflected in the available data. Interest expenditure (on a cash basis) remains below budgeted targets, because of peculiarities in the calendar of interest payments this year and should return to normal in the coming months.

Total cash receipts increased by 5.9% in the first half while an annual increase of 15.6% is targeted for the year as whole. A considerable pick-up in receipts can be expected in the second half, as the full effect of the VAT and excise increases will feed through. In particular the latest VAT increase – effective on 1 July 2010 – has not yet been reflected in the available data. However, even if those factors are taken into account, tax receipts will most likely stay below the projections of May 2010 in the context of the economic adjustment programme that underlies the euro area and IMF financing. The revenue shortfalls are not fully consistent with higher-than-projected nominal GDP growth on the back of higher-than-expected inflation[12] and relatively tax-favourable growth composition. This may suggest that some of the

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9 Note that Eurostat has not yet validated the 2009 government deficit and debt data notified by Greece. On 22 April 2010, Eurostat informed that, following completion of the investigations that Eurostat is undertaking in cooperation with EL.STAT on several issues (in particular, the sectoral classification of a number of public enterprises and the accounting of off-market swaps, as well as the need of more detailed and accurate date on social security revenue and expenditure), the 2009 government deficit ratio could be revised upwards by 0.3 to 0.5% of GDP, and the debt by 5 to 7% of GDP. See Eurostat News Release N° 55/2010.

10 The report submitted by Greece on 6 August 2010 provides a more complete list of measures adopted.

11 As the companion report elaborates in detail, the several fiscal performance criteria in the context of the loan facility agreement (euro area) and stand-by arrangement (IMF) have been fulfilled.

12 In July 2010, the HICP annual inflation was 5.5%.

measures to increase the efficiency of tax collection, fight tax evasion and to improve the tax administration have not yet given tangible results and may need to be strengthened.

Table 1: State budget execution

	2009	2010		2009	2010	
on cash basis (million euro)	**Jan. - June**	**Jan. - June**	**% change**	**Outcome**	**Official estimates**	**% change**
Total revenue	**22831**	**24180**	***5.9%***	**50509**	**58382**	***15.6%***
Revenue before refunds	24639	26062	*5.8%*	53420	60224	*12.7%*
Tax refunds	2450	2266	*-7.5%*	4952	5100	*3.0%*
Capital revenue	642	384	*-40.2%*	2041	3258	*59.6%*
Total expenditure	**40697**	**33824**	***-16.9%***	**81390**	**77073**	***-5.3%***
Primary expenditure	27945	24398	*-12.7%*	57975	54611	*-5.8%*
Interest	6612	5731	*-13.3%*	12325	13017	*5.6%*
Capital expenditure	6140	3695	*-39.8%*	9588	9200	*-4.0%*
Other	0	0		1502	245	*-83.7%*
State Budget balance	**-17866**	**-9644**	***-46.0%***	**-30881**	**-18691**	***-39.5%***

Source: General Accounting Office – Greece.

The (available) general government cash balance – that is state, local government and social security funds, including public hospitals – lies broadly on track so far, due to the overachievement of state-level cash-basis targets. According to monetary statistics-derived data provided by the Bank of Greece for the first half of the year, (i) local government cash balance shows a surplus (EUR 183 million) that is slightly smaller than expected; while (ii) social security funds' cash balance shows a deficit (EUR 239 million), instead of a surplus.

There is no hard infra-annual data on the transition from (available) general government cash balance to ESA accounts in real time. This adjustment should take into account deficit-increasing adjustments, such as on expenditure pending payment, guarantees called, and the deficit of extra-budgetary funds, as well as a number of deficit-reducing adjustments, such as delays in collection of taxes and lags in the payment by the EU budget of structural funds. The overall adjustment for the year as a whole is expected to be deficit increasing and amount to around EUR 1 300 million.

4. ASSESSMENT OF RISKS TO THE 2010 DEFICIT TARGET

Although fiscal consolidation seems to be on track in the first half of 2010, there are a number of pressure points that need to be considered in the budgetary execution over the coming months.

In particular:

- State revenue: Tax revenue has been performing below targets over the first half of the year, although the efforts to improve tax compliance and fight tax evasion have been intensified. Tax revenue in the second half of the year is expected to recover on the back of the full implementation of the revenue- enhancing measures already legislated, such as the VAT rate increase implemented from 1 July on. Nevertheless, with the recession deepening in the second half of the year, the anticipated recovery might not be sufficient for the annual state revenue to meet the projections of May 2010.[13]

- Accounts payable and arrears**:** The cash balance for the general government, which has been over-performing in the previous months may have been distorted by expenditure pending payment (including expenditure past their due date: arrears). As in the past, risks for the accumulation of arrears concern mainly health care-related spending. Moreover, the relative performance of the several government sectors (state, social security funds, local government and extra budgetary funds) may also be distorted by delays in transfers amongst government entities.

- Called Guarantees**:** In 2009 guarantees called (and, therefore, recorded as deficit increasing) amounted to EUR 700 million. Those guarantees concerned mainly public-enterprises debts. As the economy deepens in recession, and a number of public enterprises (*e.g.* the over indebted railway company) may have difficulty in rolling over their liabilities, the guarantees called may substantially increase. While guarantees called through end June amount to EUR 300 million, one may expect them to increase up to EUR 1 500 million until the end of the year.

- Local governments, social security funds and extra-budgetary funds: So far, the financial performance of local governments has fallen short of programme projections. The same applies to social security funds. Upcoming local elections and deepening recession might induce further slippage. Note, however, that available data concern the local government and social security balance, and not their respective revenue and expenditure, as the balance is derived from monetary statistics provided by the Bank of Greece.[14] Therefore a more detailed analysis is not possible for the time being. Moreover, part of the less favourable performance by those entities may be related to delays in transfers to be paid by the state budget. So far, there are no data on fiscal execution by the extra-budgetary funds.

- Catch-up spending. Catch up spending in the second half is anticipated, given the reduction in expenditure in the first half and some delays in payments. While monthly spending has been much lower than planned in the first half of 2010, on the back of the restraining expenditure efforts by the government and further controls by the Ministry of Finance, there are obligations generated that will lead to cash outflows in the second half of the year. Maintaining the under-execution of expenditures during the second half of the year will be challenging, as ministries can be expected to catch up with their annual budget appropriations.

- Public enterprises: Government needs to speed up efforts to establish cost recovery in public enterprises, to reduce the risk of increased subsidies or other transfers with negative fiscal impact.[15]

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13 On the basis or currently available information, the Commission services estimate that there will be shortfalls for the year as whole, compared to the projections prepared in early May, of up to EUR 1 500 million (or 0.6% of GDP).

14 There is also some incomplete information on revenue and expenditure for a number of social security funds.

15 See above footnote 9 on the possible reclassification of public companies (like the railways OSE).

5. PROGRESS WITH STRUCTURAL REFORMS

Significant progress has been achieved in structural fiscal reforms, such as the preparation of the new organic budget law, measures against tax evasion, a census of civil servants[16] and steps forward in setting up a single payment authority for public wages. Progress with pension reform and public administration at local level has been made ahead of schedule. Some further adjustments in the pension laws are planned for 2011.[17] Preparations are less advanced in the implementation of a system to monitor and control expenditure commitments at the several government layers. Efforts need to be intensified to improve the collection and processing of data which are essential for budgetary control.

Beyond fiscal-related issues, important steps forward have also been made with the ambitious broader structural reform agenda. Business environment reforms, measures to accelerate absorption of structural and cohesion funds and horizontal legislation to implement the services directive are on track; ambitious labour market laws have been adopted ahead of schedule though requiring further actions at a later stage. The privatisation and restructuring of state-owned companies – in particular in the areas of rail transport and energy – need to be speeded up.

In relation to structural reforms in the financial sector, the Financial Stability Fund has been established and the Bank of Greece is in the process of strengthening banking supervision.

6. COMPLETENESS OF REQUIRED INFORMATION

The report submitted by Greece includes most of the information and data required by the Council Decision. In particular, the report contains detailed information on concrete measures implemented (and to be implemented) in order to comply with the Decision and their respective budgetary impact. Data on the monthly state budget execution have been timely provided by the General Accounting Office. The report also contains the required information in relation to debt issuance and reimbursements, and information on the financial situation of the largest public enterprises. However, data on the infra-annual budgetary implementation by social security funds, local government and extra budgetary funds, information on public sector employment, expenditure pending of payment (including arrears) are still incomplete.

Moreover, the report contains a wealth of information concerning the implementation of structural reforms in response to the Council Recommendation of 16 February 2010,[18] and to comply with the MEFP and MoU.

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16 According to the recently released data on the public employment census, there are about 768 thousand civil servants (state, local government, social security and extra-budgetary funds). This represents 17 percent of the overall working population in Greece.

17 In the absence of complete long-term projections, it is not yet possible to have a complete assessment of the pension reform. The main pension parameters will have to be adjusted in the course of 2011 to ensure that the long-term evolution of pension expenditure (2009-2060) does not exceed 2.5 percentage points of GDP. This adjustment will be based on long-term projections to be provided by the National Actuarial Authority and validated by the EU Economic Policy Committee

18 Council Recommendation (2010/190/EU) to Greece of 16 February 2010 with a view to ending the inconsistency with the broad guidelines of the economic policies in Greece and removing the risk of jeopardising the proper functioning of the economic and monetary union (OJ L 83, 30.3.2010, p. 63).

7. CONCLUSION

Greece is satisfactorily complying with the Council Decision of 10 May 2010, responding to the Council Recommendation of 16 February 2010 and implementing the measures outlined in the MEFP and MoU of 3 May 2010.

According to the Council Decision (Article 4(3)), "the Commission may indicate the measures needed to respect the adjustment set by [the] Decision for the correction of the excessive deficit." Against available information, the fiscal measures adopted by Greece so far appear sufficient to reach the 2010 budgetary deficit ceiling targets provided in the Council Decision of 10 May 2010, provided that expenditure control remains very tight leading to total state expenditure of EUR 4 billion below plans to offset revenue shortfall and expenditure slippages in other government sectors. The under-execution of state budget expenditures will also need to cover the projected difference between the available cash deficit and the ESA95-based balance.

Provided that the planned measures are duly implemented in a timely manner, and if the macroeconomic scenario unfolds according to expectations, available forecasts suggest that government deficit and debt ceiling for 2011-2014, with a correction of excessive deficit by 2014, are within reach.

ANNEX I: MEASURES REQUIRED BY THE COUNCIL DECISION, TO BE ADOPTED BY END-JUNE 2010

Measures (as required by Article 2(1) of the Council Decision)	State of progress
"Greece shall adopt the following measures before the end of June 2010:	
(a) a law introducing a progressive tax scale for all sources of income and a horizontally unified treatment of income generated by labour and capital assets;	**Fulfilled.** Law 3842/2010 was adopted by Parliament in April 2010.
(b) a law abrogating all exemptions and autonomous taxation provisions in the tax system, including income from special allowances paid to civil servants;	
(c) the cancellation of the budgetary appropriations in the contingency reserve, with the aim of saving EUR 700 million;	**Fulfilled.** Ministerial Decision.
(d) an abolition of most of the budgetary appropriation for the solidarity allowance (except a part for poverty relief) with the aim of saving EUR 400 million;	**Fulfilled.** Law 3845/2010 was adopted by Parliament in May 2010.
(e) a reduction in the highest pensions with the aim of saving EUR 500 million for a full year (EUR 350 million for 2010);	**Fulfilled.** Laws 3863/2010 and 3865/2010 were adopted by Parliament in May 2010.
(f) the reduction of the Easter, summer and Christmas bonuses and allowances paid to civil servants with the aim of saving EUR 1500 million for a full year (EUR 1100 million in 2010);	**Fulfilled.** Law 3845/2010 was adopted by Parliament in May 2010.
(g) the abolition of the Easter, summer and Christmas bonuses paid to pensioners, though protecting those receiving low pensions, with the aim of saving EUR 1900 million for a full year (EUR 1500 million in 2010);	
(h) an increase in VAT rate, with a yield of at least EUR 1800 million for a full year (EUR 800 million in 2010);[19]	**Fulfilled.** Law 3845/2010 was adopted by Parliament in May 2010. New VAT rates applicable from 1 July on; new excise rates applicable from 3 May on.
(i) an increase in excises for fuel, tobacco and alcohol, with a yield of at least EUR 1050 million for a full year (EUR 450 million in 2010);	
(j) legislation implementing the services directive;	**Fulfilled.** The horizontal legislation (Law 3844/2010) has been adopted; work is ongoing on the point of single contact.
(k) a law reforming and simplifying public administration at the local level with the aim of reducing operating costs;	**Fulfilled.** Law 3852/2010 was adopted by Parliament on 27 May 2010. A series of implementing decrees are pending adoption.

19 The report of 6 August indicates that this measure could bring additional revenue of EUR 900 million in 2010, instead of EUR 800 million.

(l) the establishment of a task force aiming at improving the absorption rate of structural and cohesion funds;	**Ongoing.** The formal establishment and staffing of a task force which will be chaired by the Deputy Prime Minister is pending. On 30 June 2010, the Greek government passed a ministerial decision to fast track project production.
(m) a law to simplify the start-up of new businesses;	**Fulfilled.** Law 3853/2010 was adopted by Parliament on 17 June 2010.
(n) a reduction of public investment by EUR 500 million compared to plans;	**Ongoing** (Ministerial Decision 24687/DE2947). A complete assessment is not possible before end of year.
(o) the channelling of the budgetary appropriations for the co-financing of structural and cohesion funds to a special central account that cannot be used for any other purpose;	**Fulfilled.** The bank account at the Bank of Greece was created on 30 June 2010.
(p) the establishment of an independent financial stability fund to deal with potential capital shortfalls and preserve the financial sector soundness, by providing equity support to banks as needed;	**Fulfilled after the deadline.** Law 3864/2010 was adopted by Parliament on 12 July 2010.
(q) the reinforced supervision of banks, with increased human resources, more frequent reporting and quarterly stress tests."	**Ongoing.** The Bank of Greece has intensified its work relating to banking supervision. There are now regular meetings with the auditors of the banks and with the important internal committees of all the major banks (risk management, internal control, etc). Banks are now required to provide certain supervisory data on a higher frequency.

ANNEX II: MEASURES REQUIRED BY THE COUNCIL DECISION, TO BE ADOPTED BY END-SEPTEMBER 2010

Measures (as required by Article 2(2) of the Council Decision)	State of progress
"Greece shall adopt the following measures before the end of September 2010:	
(a) inclusion in the draft budget for 2011 of fiscal consolidation measures amounting to at least 3% of GDP (4,1 % of GDP if carryovers from measures implemented in 2010 are considered). The budget shall, in particular, include the following measures (or in exceptional circumstances, measures yielding comparable savings): a reduction in intermediate consumption of the general government by at least EUR 300 million compared to the 2010 level (in addition to savings stemming from the reform, referred to in this paragraph, of public administration and of local government); a freeze in the indexation of pensions (with the aim of saving EUR 100 million); a temporary crisis levy on highly profitable firms (yielding at least EUR 600 million in additional revenue per year in 2011, 2012 and 2013); the presumptive taxation of professionals (with a yield of at least EUR 400 million in 2011 and increasing returns in 2012 and 2013); a broadening of the VAT base to include certain services currently exempted and moving 30 % of goods and services from the reduced rate to the main rate (with a yield of EUR 1 billion); a phased-in green tax on CO_2 emissions (with a yield of at least EUR 300 million in 2011); the implementation by the Greek Government of legislation reforming public administration and reorganising local government (with the aim of reducing costs by at least EUR 500 million in 2011, and 500 additional EUR million each year in 2012 and 2013); a reduction in domestically-financed investments (by at least EUR 1 billion) by giving priority to investment projects financed by EU structural funds; incentives to regularise land-use violations (yielding at least EUR 1 500 million from 2011 to 2013, of which at least EUR 500 million in 2011); a collection of revenue from the licensing of gaming (at least EUR 500 million in sales of licences and EUR 200 million in royalties); a broadening of the real estate tax base by updating asset values (to yield at least EUR 500 million additional revenue); an increased taxation of wages in kind, including by taxing car lease payments (by at least EUR 150 million); an increased taxation of luxury goods (by at least EUR 100 million); a special tax on unauthorised establishments (to yield at least EUR 800 million per year); and a replacement of only 20 % of retiring employees in the public sector (central government, municipalities, public companies, local governments, state agencies and other public institutions);	**Planned.** 2011 budget is expected to be submitted to Parliament in the first week of October. **Partially fulfilled ahead of deadline.** A number of measures required by the Council Decision to be adopted in the context of the 2011 budget have already been legislated. These include in particular: (i) temporary crisis levies on highly profitable firms (EUR 600 million per year; Law 3845/2010); (ii) the increase in taxes on luxury goods (applicable from 3 May 2010 on; EUR 100 million per year; idem);[20] (iii) the presumptive taxation of professionals (EUR 400 million in 2011 and increasing returns in 2012 and 2013; Law 3842/2010); (iv) the increase of taxation of wages in kind, including by taxing car lease payments (EUR 150 million; idem).

[20] The report of 6 August indicates that this measure could bring additional revenue of EUR 120 million in 2010, instead of EUR 100 million.

(b) a law reforming the pension system with a view to ensuring its medium and long-term sustainability. The law should, in particular, introduce: a unified statutory retirement age of 65 years (including for women); a merger of the existing pension funds in three funds and a unified new pension system for all current and future employees (applicable as of 1 January 2013); a reduction of the upper limit on pensions; a gradual increase in the minimum contributory period for retirement on a full benefit from 37 to 40 years (by 2015); a minimum retirement age of 60 years by 1 January 2011 (including for workers in heavy and arduous professions and those with 40 years of contributions); the abolition of the special rules applicable to persons insured before 1993 (while retaining acquired rights); a substantial narrowing of the list of heavy and arduous professions; a reduction of pension benefits (by 6 % per year) for people entering retirement between the ages of 60 and 65 with a contributory period of less than 40 years; the creation of an automatic adjustment mechanism linking the retirement age with the increase in life expectancy (as of 2020); the creation of a means-tested minimum guaranteed income for elderly people above the statutory retirement age; stricter conditions and the regular re-examination of eligibility for disability pensions; an amendment of the pension award formula in the contributory based scheme to strengthen the link between contributions paid and benefits received (with accrual rate limited to an average annual rate of 1,2 %); and an extension of the calculation of the pensionable earnings to entire lifetime earnings (while retaining acquired rights). The implementation of this law should reduce the projected increase in the pension expenditure to GDP ratio to below the euro area average over the next decades and should limit the increase of public sector spending on pensions over the period 2010-2060 to less than 2.5 % of GDP;	**Partially fulfilled ahead of deadline.** Important progress has been made in the area of pension reform ahead of the September 2010 deadline. Parliament adopted Laws 3863/2010 and 3865/2010 on 8 and 16 July 2010 (for the private and public sectors, respectively), including a number of the specific reform parameters required by the Council Decision. In the absence of complete long-term projections, it is not yet possible to have complete assessment of the reform. The pension reform law will have to be adjusted to ensure that the long-term evolution of pension expenditure (2009-60) does not exceed 2.5 percentage points of GDP. This adjustment will be based on long-term projections to be provided by the National Actuarial Authority and validated by the EU Economic Policy Committee.

(c) a reinforcement of the role and resources of the general accounting office and the establishment of safeguards against possible political interferences in data projection and accounting;	**Ongoing** in the context of the Fiscal Management and Responsibility Act, which was submitted to Parliament on 30 June 2010.
(d) a draft reform of wage legislation in the public sector, including notably the creation of a Single Payment Authority for the payment of wages, the introduction of unified principles and timetable to establish a streamlined unified public sector wage grid to apply to the State sector, local authorities and other agencies;	**Ongoing.** The government has proceeded with the set up of the single payment authority ahead schedule. It already covers wages paid to almost 80% of the total number of the civil servants in central government. The census of public employment will contribute to widen the coverage to the whole general government by the end of the year.
(e) a legislation improving the efficiency of the tax administration and controls;	**Ongoing.** Several initiatives have been taken to improve the efficiency of the tax administration, to fight tax evasion and improve tax compliance. The government has put in place the new tax law which introduces stronger enforcement of income and VAT filling and payment processes, widens the tax base by cancelling deductions and exemptions and introduces the presumptive taxation. The government has started developing a compliance risk management framework and building strategic management capacity in tax and customs authorities, through the reorganization of the relevant services. The set-up of five specialist task forces in the Ministry of Finance and the tax administration has also been launched.
(f) the launch of an independent review of the public administration and of existing social programmes;	**Planned.** Kick-off meetings planned for September.
(g) the publication of monthly statistics (on a cash basis) on revenue, expenditure, financing and spending arrears for the available general government and its sub entities;	**Partially fulfilled.** In 2010, Greece has been regularly publishing detailed cash data on revenue, expenditure and financing of the state. Data on spending pending payment is not yet available. The legal obligation has been included in the draft bill on fiscal management and responsibility which has been submitted to Parliament on 30.06.2010. Law 3861/2010 requires online publication of all decisions involving commitments of funds in general government.
(h) an action plan to improve collection and processing of general government data, notably by enhancing the control mechanisms of statistical authorities and the General accounting office and ensuring effective personal responsibility for cases of misreporting, in order to ensure the prompt supply of high quality general government data required by regulations (EC) 2223/96, 264/2000, 1221/2002, 501/2004, 1222/2004, 1161/2005, 223/2009 and 479/2009;	**Ongoing**. Implementation of the action plan agreed with Eurostat.
(i) a regular publication of information on the financial situation in public enterprises and other public entities not classified in the general government (including detailed income statements, balance sheets and data on employment and the wage bill)."	**Partially fulfilled.** Some data included in the report of 6 August.