



EUROPEAN COMMISSION

TFGR - TASK FORCE FOR GREECE

## **Task Force for Greece**

### **1st quarterly report**

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## EXECUTIVE SUMMARY

Greece is undergoing an unprecedented fiscal and economic adjustment. This restructuring is imposing great strains on Greek society and citizens. The contraction is deeper and more painful than expected. Unemployment, and particularly youth unemployment, is rising steadily. Small companies are facing severe liquidity constraints.

Greece is receiving an exceptional level of financial assistance from the Euro-Group, the ECB and IMF. In addition to the 110BN€ under the first adjustment programme, the Euro Summit statement of 26 October 2011 envisages further strong support for Greece.<sup>1</sup> Financial assistance and debt forbearance will not be enough to solve Greece's deep-rooted economic and structural challenges. Broad and sustainable reform is needed to restore a growth perspective for Greece, to pave the way for future job-creation and to contribute to financial stability. Greece has made some important first steps in this direction in the last year-and-a-half. However, the scale of the reform task is daunting. It was this realisation that prompted the Greek government to request President Barroso to provide technical assistance for the designing and implementation of the necessary reform programme.

The creation by the Commission of the Task Force for Greece therefore represents a strong gesture of solidarity. Substantial offers of support have been received from Member States, the EIB, the IMF, the OECD and others. The strong political backing of the European Parliament, and its continued support, is crucial in establishing the legitimacy of the Task Force.

The mandate of the Commission's Task Force is to identify and coordinate all the technical assistance Greece needs to deliver the EU/IMF adjustment programme and to accelerate the take-up of EU funds in Greece, targeting them on measures to boost economic growth, competitiveness, job creation and training. This initiative has been strongly supported by the Heads of State of the Euro area (21 July paragraph 4) which declared that *"... Member States and the Commission will immediately mobilise all resources necessary in order to provide exceptional technical assistance to help Greece implement its reforms..."* The Euro Summit of 26 October 2011 confirmed: *"We fully support the Task Force on technical assistance set up by the Commission."*

The Task Force is a resource at the disposal of the Greek authorities as they seek to build a modern and prosperous Greece: a Greece characterised by economic opportunity and social equity, and served by an efficient administration with a strong public service ethos. Reforming Greek public administration will require sustained effort and a determination to change on the part of Greek government and all parts of society. Through the creation

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<sup>1</sup> The Euro Summit conclusions (para. 12) "invite Greece, private investors and all parties concerned to develop a voluntary bond exchange with a nominal discount of 50% on notional Greek debt held by private investors. The Euro zone Member States would contribute to the Private Sector Involvement package up to 30BN€." "Together with an ambitious reform programme for the Greek economy, the PSI should secure the decline of the Greek debt to GDP ratio with an objective of reaching 120% by 2020." "On that basis, the official sector stands ready to provide additional programme financing of up to 100 bn euro until 2014, including the required recapitalisation of Greek banks."

of the Task Force, Greece's European partners have demonstrated that they are willing to assist Greece in this venture.

A precondition for the success of the Task Force is sound cooperation and a good working relationship with the Greek authorities. Discussions to date have identified a number of fields with which the Greek authorities would benefit from technical assistance. The Task Force will work quickly with the Greek administration to consolidate progress made so far, and to move quickly to the implementation of technical assistance for structural reform.

The second precondition for the Task Force has been to secure the support and commitment of Member States, EIB, IMF, OECD and others. These will provide the vital expertise needed to design the structural reform that the Greek government wishes to implement with the assistance of the Task Force.

The task of framing a comprehensive and coherent programme of technical assistance has begun in earnest. An important milestone was the High Level meeting of October 12<sup>th</sup>. This brought together the Greek government, EEA Member States, EIB, IMF, OECD and others to discuss an extensive list of technical assistance requests from Greece. This preliminary mapping has identified over 75 projects and work-streams where technical assistance from the Task Force could benefit. Follow-up meetings have already taken place on a number of projects, with the active involvement of the Greek authorities.

The Greek authorities can use the Task Force to meet three pressing challenges:

***1. Supporting growth, employment and competitiveness:***

As underlined by the European Council of October 23<sup>rd</sup> and 26<sup>th</sup>, the economic fire-power of EU structural funds must be used to support demand and employment through a prolonged transition process in all Member States implementing and adjustment programmes. In respect of Greece, the following steps are being taken in this regard:

- Intensive efforts are underway to expedite more than 100 cohesion policy projects with the highest potential impact on growth, employment and competitiveness. Together these projects, most of which have already started, account for about 9BN€.
- In addition, particular efforts are being made by Greece with the support of Commission Services to break the logjam on 5 motorways concessions projects, on waste management, and to support investment in solar power generation (the Helios project referred to in the Euro Summit statement of 26th October 2011);
- Solutions must be found rapidly to maintain a functioning financial system and the flow of credit. To this end, the Commission is helping to frame cohesion policy programmes in innovative ways that can sustain bank lending to SMEs. This can provide funding injection of 500M€ for SMEs (including funding for working capital purposes) and 1.5BN€ of extra lending based on new risk-sharing instruments. These instruments can make an important contribution to sustaining the flow of credit to viable but cash-strapped businesses. Financial constraints of small businesses would also be alleviated by payment of nearly 6bn€ of government arrears.

***2. Enabling growth through reform of Greek public administration:***

The Task Force has also been asked by the Greek authorities to assist in strengthening the capacity of the Greek public sector to implement public policy, perform vital functions such as purchasing and timely payment, and deliver public services to citizens. As a first set of priorities in this regard, the Task Force will assist with the following:

- Profound reform of the governance and structure of Greek public administration is of paramount importance. The OECD has provided a blue-print for administrative reform. A concrete action plan to implement the main recommendations is being implemented;
- The Greek authorities must be assisted in "tooling-up" to perform their tasks: the effective deployment of e-government solutions, e-procurement and enterprise resource-planning (ERP) will enable the Greek public sector to raise its game and reduce fraud;
- Delays and inefficiency in the judicial system act as a brake on many commercial transactions and administrative procedures. There is an estimated backlog of 165 000 pending tax cases representing around 30BN€ in unpaid taxes. However recovery levels are not expected to be high.
- Public procurement procedures are overly complicated, and frequently hostage to litigation. Expropriation procedures are complex and time-consuming. This is a major hurdle to procurement of works, goods and services;
- Public health: The Greek authorities will require technical assistance to implement reforms designed to rein in health expenditure while maintaining universal access and increasing the quality of care delivery.

### ***3. Maintaining progress towards fiscal consolidation:***

The Task Force is helping to finance and implement a crucial reform agenda in the area of tax administration and public finance management. Tax experts from the IMF and EU Member States are already assisting the Greek authorities in the following areas:

- Tax collection: 60BN€ of unpaid taxes (of which 30BN€ in pending tax cases) are currently outstanding in Greece. Even though the actual prospects for collection are very low, the very size of these tax arrears casts a doubt over the efficacy of the overall tax administration. An action plan has been drawn up to tackle this issue, involving a joint effort by the Greek authorities, EU Member States and the IMF;
- Tax policy: a fairer, simpler and stable tax system would help to spread the burden of economic adjustment more equitably, and limit the scope for tax evasion and avoidance;
- Public finance management: the Greek authorities are already benefiting from assistance in implementing systems for monitoring expenditure, improving public counting detecting and correcting budgetary slippage.

A successful privatisation process can also make an important contribution to debt stabilisation. A large portfolio of state assets has been earmarked for management by the Greek privatisation fund. The successful management and disposal of these assets is central to delivery of the economic adjustment programme. Delays with the initial wave



of privatisations point to bottlenecks in the process. The Task Force stands ready to mobilise experience from the Commission and Member States.

*Conclusions:*

An unprecedented effort is underway to support Greece in its time of need. Some early successes are needed to build the momentum for sustainable change.

The Task Force is an important part of this programme of coordinated assistance. The Task Force has quickly established effective cooperation and a good working relationship with the Greek authorities. Together, a first mapping of priority needs has been undertaken. The Task Force is now working to complete its road-map for technical assistance as quickly as possible. In the meantime, a number of priority technical assistance projects are already underway.

The Task Force, together with the Member States, other European States, EIB, OECD, IMF and other international institutions stand ready to do all in our power to assist where requested by the Greek government with the timely and effective implementation the reforms. However, the desire and the courage to change must come from Greece.

## 1st quarterly report Task Force for Greece

### 1. INTRODUCTION

The economic challenges facing Greece are documented in the fifth compliance review of the economic adjustment programme for Greece. Restoring the conditions for future growth and job-creation in Greece requires a concerted strategy.

The economic adjustment programme maps out a comprehensive agenda for structural and administrative reform. The Task Force for Greece has been established to assist, in cooperation with other services of the Commission, the ECB and the IMF, the Greek authorities to implement that agenda. This assistance will be organised in line with the targets laid down in the Memorandum of Understanding on Specific Economic Policy conditionality which forms part of the economic adjustment programme for Greece.

In concrete terms, the Task Force will:

- Help to accelerate the expenditure and optimise the use of cohesion policy funds.
- Mobilise expertise and resources from across the EU to assist the Greek authorities in strengthening their capacity to perform critical public functions such as tax collection, public purchasing and payments, to improve their ability to deliver vital public services, and to improve the operating environment for businesses. This could encompass the following types of activity: far-reaching review of regulation and supervision so as to remove entry barriers and reduce administrative complexity; creation of effective, coordinated and rationalised administrative structures which can implement policy and perform critical public functions efficiently; development of an effective system for the control of finances (income and expenditure) and other resources.

The Task Force for Greece commenced operations on 1<sup>st</sup> September 2011. It will report quarterly to the Commission and Greek government on progress achieved. This is the first quarterly report on the activities of the Task Force for Greece.

The report describes the ways in which the Task Force for Greece is supporting the Greek authorities. The report is divided in three sections relating to the most pressing priorities of the GR authorities.

***Insert 1: examples of recent efficiency enhancing structural reform initiatives taken by the Greek government:***

The following is a non exhaustive list of recent steps to promote structural reform:

- Fiscal reforms: A number of initiatives have already been taken including introduction of new management information systems, the adoption of the fiscal management and responsibility act; and streamlined judicial procedures for tax cases..;
- Improvement of business environment: Steps have been taken to simplify start-up formalities for new businesses; a new investment law/'fast-track' law for strategic investment has been adopted;

- Transport sector: measures have been taken in the liberalisation of road freight and occasional passenger transport, as well as in the restructuring of railways and urban transport;
- Local administration reform: a far-reaching overhaul of local administration has permitted a significant merger and reduction in the number of municipal and local authorities;
- Labour market reform: recent measures have allowed firm-level agreements on employment conditions, promotion of part-time employment; relaxation of conditions for recruitment and dismissal.
- Public procurement: the law establishing a single public procurement authority has been adopted.

The focus of activity to date has been at legislative level. These legislative changes must be accompanied by strengthening of administrative capacity and if they are to deliver tangible improvements in performance of public function and delivery of public services.

## **2. ACCELERATION OF COHESION POLICY PROJECTS**

Faced with prolonged recession and rising unemployment, the potential economic stimulus available through EU cohesion policy must be exploited to the full. The total available cohesion policy funds (under the European Regional Development Fund, the European Social Fund and the Cohesion Fund) available to Greece amount to 20.4BN€ for the 2007-2013 financing period. This includes over 7.000 projects of which only about a third are currently active. Just over 28% of the budgeted amount had been disbursed by June 2011.

In order to expedite the disbursement of cohesion policy funding, half-yearly payment targets have been set since mid-2010. These targets were exceeded in 2010. However, in 2011 payments for the first half of the year amount to 626M€ or 56.6 % of the period target.

As a further means of accelerating the draw-down of available cohesion policy funds, the EU has increased its co-financing rate to EU co-financed programmes for Greece from a current average of 78% to 85% within the overall existing financial envelope. This will reduce the contribution expected from Greek authorities by 1.9BN€ over the 2007-13 programming period. The Commission has proposed to go one step further and allow for a further temporary top-up of the co-financing rate to of 95%. This proposal is being considered by the European Parliament and the Council.

In addition to the above, the Commission is now working with the Greek Authorities along the following lines in order to optimise the use of cohesion policy funds:

### ***Focus on high impact projects:***

In his State of the Union Address on 2011, President Barroso stressed the importance of maximising the Structural Funds contribution to growth, competitiveness and employment through a clear focus on priority projects. Since September, the Commission

and the Greek authorities have been stepping up efforts to implement projects which account for over 40% of the total Greek cohesion policy envelope. Delays in the launch of these projects will mean significant missed opportunities. The Commission and the Greek authorities are finalising a list of priority projects for growth, competitiveness and employment. This package includes mature, viable and high-quality sustainable projects, capable of generating a strong economic and social impact across all Greek regions. Progress in implementation of these projects will result in a quicker and visible take up of the co-funded operational programmes.

It is particularly important in this context to make progress on the five major highway projects, four of which are currently blocked due to changes in economic and financial conditions and implementation problems. These projects involve a contribution of around 1.4BN€ from EU cohesion policy and over twice this amount from private sources. The Commission is exploring ways to support the Greek authorities to unblock these projects. Success would have an immediate and important impact in terms of employment, growth and improved traffic safety.

Similarly in the area of solid waste management, important projects are delayed by institutional and management problems. Implementation of these projects (in particular concerning rehabilitation of illegal landfills, and treatment of solid waste) would, in addition to a powerful economic and social impact, bring Greece into compliance with important EU environmental legislation. Continued non-compliance could result in heavy penalties.

***Clear the overhang from the previous programming period:***

The Commission has asked the Greek authorities to complete unfinished projects from the previous programming period (2000-2006). If unresolved in a timely fashion, this situation would not only prevent Greece from reaping the full benefits of such projects: it could also have serious financial implications for the State as the funds in question may otherwise need to be reimbursed to the EU. Actions are under way to avoid such an outcome.

***Reprogramming and reviewing procedures:***

Assistance is available to Greece for re-programming of current operational programmes should this prove necessary. This assistance can be directed towards improvement of decision making procedures, rationalisation of project preparation and project implementation, and concentration on a smaller number of projects. In this context, Greek managing authorities have already started to close "sleeping" projects so that funding can be released for other projects.

Greece enjoys enormous natural advantages in the generation of renewable energy. There is in particular scope for major photovoltaic (HELIOS) and wind projects, as well as for electricity grid improvements that could make a major contribution to attaining energy and climate goals. However, the current energy production scheme from renewable energy sources ("feed in tariffs") is designed in a way preventing the contribution of cohesion policy funds to the investment undertaken by the private energy producers.

***Provide technical assistance for management tools:***



The Greek authorities have requested technical assistance with the improvement of management information and control systems, simplification and codification of legislation on public works, expropriation, environmental licensing and public procurement procedures. The Task Force shares the view that there is scope to remove some complexity from the Greek systems for management and control of cohesion policy programmes, while respecting the legal requirements governing these systems. The Task Force, following a series of meetings with the Greek authorities involved centrally in the management of the cohesion policy funds, has begun to assist the Greek authorities in streamlining the decision making and implementation procedures. In addition, the smooth and timely implementation of the priority projects may also require the provision of technical assistance, notably but not only at regional level.

- *The list of priority projects for growth and employment to be finalised before the end of November.*
- *Initial identification of specific technical assistance needs to be completed for some key projects.*
- *Identification before the end of the year of technical assistance to review the functioning of the current cohesion policy management system in Greece.*

### 3. THE FINANCIAL SECTOR AND ACCESS TO FINANCE

The protracted economic crisis has led to a contraction in bank lending to corporates and private households.

The immediate challenge is to ensure sustainable lending, given the crucial role of credit in fuelling investment, competitiveness and employment in the real economy. The Task Force will seek to assist along the following lines:

- improving the access to finance of Greek businesses, in particular micro, small and medium-sized enterprises (MSMEs), which represent 99.9% of enterprises, 86% of employment and 72% of value added;<sup>2</sup>
- allowing the provision of the national co-financing for EU funded projects and programmes that contribute to sustainable growth in Greece.

#### ***Insert 2: Existing national and European initiatives to support bank lending to the business sector:***

The following national and European instruments are available in Greece to encourage lending to the real economy, such as:

- JEREMIE (Joint European Resources for Micro to Medium Enterprises): depending on the leverage achieved from the Banks, an amount around 350 to 450 M€ should be

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<sup>2</sup> SBA Fact Sheet Greece 2010/2011, European Commission, DG Enterprise and Industry.

available through this fund, among which 250 M€ will come from public sources (national and European Union)<sup>3</sup>. The JEREMIE instruments consist of funded risk sharing products and equity (venture capital products). Improving the disbursement rate is paramount;

- Entrepreneurship Fund: it is the national financial engineering instrument set up by the Greek authorities under the cohesion policy regulations and managed by ETEAN SA. Its mission is to facilitate the access of Greek enterprises to credit facilities. Depending again on the leverage achieved from the banks, an amount of around one billion euro should be available through this fund, among which 460M€ originate from public contribution;
- European Investment Bank loans: in 2009, 1,035BN€ was made available to SMEs and mid caps through global loans; in 2010 and 2011 to date, no global loans for SMEs have been signed. However, in 2010, lending in Greece totalled 3.2BN€, among which a 2BN€ framework loan to finance part of the national budget contribution to investments co-financed by EU cohesion policy. Its aim was to reduce the risk of postponing investments in key infrastructures and regional assets.

These instruments are currently not an effective response to the liquidity crisis facing Greek corporate borrowers. Domestic lenders are currently faced with an outflow of deposits which is further limiting their lending capacity. EIB loans are constrained by the high exposure of the Bank in Greece. To date, disbursement rates for JEREMIE and ETEAN are low. According to most recent figures, there were only 346 JEREMIE loans approved, totalling 15M€. Of this total, 210 loans have been disbursed to final recipients in Greece amounting to a total public contribution of 4M€. No finance has yet been made available through the entrepreneurship fund/ETEAN. Measures must be taken to adapt and/or complement these instruments to ensure sufficient funds reach the intended recipients in a timely manner.

In recent weeks, several fast-track proposals have been tabled to improve the effectiveness of access to finance, in particular micro-finance.<sup>4</sup> In particular, the European Commission has proposed an important anti-crisis measure<sup>5</sup> which would remove the limits for investments through financial engineering instruments. This would allow structural funds to be used to support investment in enterprises at any stage of their normal business activity and not only during the start-up phases. If such changes were accepted by Member states, financial engineering instruments could, under certain conditions, be used to provide a stable working capital base to allow enterprises to finance liabilities associated with their trading cycle.

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<sup>3</sup> JEREMIE is a joint initiative of the European Commission with the European Investment Bank (EIB) Group (currently managed by the EIF) to promote SME access to finance by implementing financial engineering operations under the SF regulations (shared management).

<sup>4</sup> These proposals are without prejudice to compliance with State aid rules which must be observed.

<sup>5</sup> Draft Commission Implementing Regulation (EU) No .../... of [...] amending Regulation (EC) No 1828/2006 as regards investments through financial engineering instruments in Member States experiencing or threatened with serious difficulties with respect to their financial stability [not published].

In addition, discussions are underway to increase EIB participation in the financing schemes directed towards SMEs and conversely lower the complementary participation requirements for commercial banks. This would help to attenuate the lack of liquidity of the Greek banking sector.

For co-funded infrastructure projects, the European Commission has proposed that, under strict conditions, cohesion policy funds be made able to provide the capital allocation of loans and guarantees. This would be made possible under a risk-sharing instrument managed by the European Investment Bank or another financial institution or body with a public policy mission. It is hoped that this will increase lending and help mobilise the participation of private banks and investors in large projects in Greece<sup>6</sup>.

In agreement with the Greek government, around 2BN€ euro out of the 20BN€ allocated to Greece in the current programming period (2007-2013) could be used for financial engineering instruments, with a view to provide timely support to the intended recipients. These 2BN€ would be leveraged so that the liquidity available to Greek final beneficiaries would be increased.

- 500M€ from cohesion policy funds could be provided under shared management to financial engineering facilities managed in particular by the EIB. This would provide Greek financial intermediaries with much needed liquidity so that they could provide onward lending to MSMEs. This would be accompanied by conditions and monitoring procedures to ensure that these loans reach the intended objective. These resources should be made available quickly.
- Up to 1.5BN€ could be used to establish the above-mentioned risk sharing instruments to support operations co-financed by cohesion policy - notably some of the priority projects. Some of these operations are currently jeopardised by the lack of expected private financing as a result of the liquidity crisis.

*Next steps:*

- The action plan and the total amount of Structural Funds that can be deployed to improve access to finance will be substantially advanced before end 2011.
- In the short-run, accelerate the use of the funds available through JEREMIE and the Entrepreneurship fund managed by ETEAN, thereby ensuring that they provide an effective and timely response to the lack of bank liquidity and escalating credit contraction.
- Obtain an adequate leverage effect of financial engineering instruments and include more targeted operations inter alia for microenterprises.
- Finally, it will be necessary to determine how the afore-mentioned risk sharing instruments will be implemented to support operations co-financed by cohesion

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<sup>6</sup> Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1083/2006 as regards certain provisions relating to risk sharing instruments for Member States experiencing or threatened with serious difficulties with respect to their financial stability [2011/0283 (COD)].



policy. The necessary regulatory changes to enable the creation of these instruments will likely be ready by the end of the first semester of 2012.

#### **4. TECHNICAL ASSISTANCE FOR ADMINISTRATIVE REFORM AND PUBLIC SECTOR GOVERNANCE:**

The Task Force will coordinate and enhance the efficiency of technical assistance for administrative reform by:

- working with the Greek authorities to identify the high impact areas for improving basic public services and strengthening growth and employment;
- mobilising resources and technical expertise from Member States and other bodies in an efficient and coordinated way. A number of Member States have offered technical assistance and other assistance to the Greek government. The Task Force is there to coordinate such bilateral assistance as part of a wider programme of support in order to improve efficiency of all available technical assistance;
- developing ICT tools to implement the Technical Assistance Programme: an integral part of the technical assistance will be the development of IT support for all technical assistance work-streams such as budget management, tax administration, governance reform and e-Government. Efficient and timely deployment and execution of the technical assistance programme will require concerted implementation by all Greek Government entities of the Digital Agenda, e-Government and telecommunications policy. This includes entities both at administration level (i.e. Operational Programme Management Authorities), at policy level (i.e. General Secretariats for Telecommunications and e-Government) and at implementation level.

The Task Force has already engaged with the Greek government to generate a first set of requests for likely technical assistance, including areas such as business environment, public procurement, and privatisation. It has organised a conference of Member States to identify which of these technical assistance projects Member States could support. In certain areas (such as tax and administrative reform), the Task Force has started to develop ways of funding and delivering this TA to Greece.

Through these activities, the Task Force has identified strong interest by Greece, other Member States and other international organisations in working together in the following fields: tax administration, health policy, immigration control, business environment, privatisation. The resources required will involve a mix of technical assistance funded directly by the EU Commission and technical assistance funded from currently underutilised structural funds (ESF) earmarked for Greece.

The following sections introduce some policy fields where the Task Force may be involved in providing technical assistance to the Greek authorities, and describes the focus of current or future technical assistance.



#### 4.1. Budget and taxation

The areas of tax administration, tax policy and public financial management (PFM) have been identified as central to the implementation of the Memorandum of Understanding (MoU) and the budgetary adjustment process for Greece.

Over the past 18 months, technical assistance in this field has been provided chiefly by the International Monetary Fund (IMF), helped by experts from various EU Member States and the Commission. The Task Force has mobilised funding from Commission technical assistance budget to step up the programme of technical assistance in the area of public finance and tax. Annex 2 outlines the draft structure and form of technical assistance in the area of budget and taxation. This will serve as the basis for continued progress in this critical area.

##### *4.1.1. Public finance management and tax policy*

Technical assistance has already helped to deliver on key commitments of the MoU in:

- **public finance management:** technical assistance has helped the Greek General Accounting Office (GAO) of the Ministry of Finance to improve the budget preparation process and enhance fiscal reporting. Progress on monitoring the general government deficit throughout the year has facilitated early detection of departure from the agreed deficit reduction objectives. Future technical assistance in public finance management will focus on reorganising the General Accounting Office in the Ministry of Finance (GAO) and definition of clear and complementary roles for GAO and line ministries;
- **tax policy:** technical assistance has permitted an analysis of the Greek system of direct and indirect taxation, to generate ideas for improving the revenue structure. Future technical assistance in the field of tax policy should serve the overarching goal of simplification of the tax legislation and lead to the drafting of a unified tax code, hence providing a clear set of rules which will also help improve tax administration.

##### *4.1.2. Tax administration*

Revenue collection in Greece is hampered by tax avoidance and lack of compliance. In total, it is estimated that there are 60BN€ outstanding in unpaid taxes. 30BN€ in uncollected tax revenues are the subject of court cases – some of which have been running for over a decade.

IMF assistance in this field has tried over the last 18 months to address the major shortcomings of tax administration in Greece by combining a targeted anti-evasion plan of immediate actions to combat rampant tax abuse and a medium-term structural reform program to modernize tax administration and improve overall tax compliance. To further these goals, the IMF relied on the introduction, via project management teams, of new working methods in key areas (such as debt collection, identification of targets for tax audit among suspected tax evaders, development of a closer monitoring of large taxpayers and high-wealth individuals). Some success has been achieved. For example in the area of debt collection, 112 M€ in tax arrears have been collected during the first six months of 2011 by just a handful of staff using the newly introduced methods. In the area of filing enforcement, an increase by 14% of the VAT filing rate has been observed.

In the field of tax administration, Task Force has built on the work already carried out by the Greek government and on the action plan already discussed between the Greek authorities, DG TAXUD and the IMF. A number of key areas for rapid progress have been identified including debt collection, large taxpayers, dispute resolution, and tax audit. There are additional areas for development, such as management and organisation of the tax administration, risk and revenue analysis, taxpayer services.

Many member States have volunteered to help in the areas targeted by the IMF and DG TAXUD for technical assistance. These offers will allow the Task Force to provide Greece with the best expertise available, within an integrated framework (cf. Annex 2).

The Task Force is also examining another interim solution, consistent with existing EU law, which could help to increase tax revenue on Greek offshore savings without compromising current or future EU wide instruments. In particular, solutions are being explored to provide Greece with an adequate way to increase tax revenue, taking into account the vast amounts channelled to Switzerland by Greek nationals and the technical difficulty for the Greek tax administration to crack down on international tax evasion.

#### **4.2. Public administration**

Improving the effectiveness, accountability and integrity of the Greek public administration is a pre-condition for successful structural reforms. Indeed, these reforms can only be delivered by a well functioning administration which is built on stable, coordinated and empowered structures, providing the base for the necessary ownership and accountability for the reforms. Equally important, the administration must be supported by independent civil servants having clear responsibilities.

Even though some targeted reforms have been undertaken<sup>7</sup> by the Greek Authorities – for example, the laws on reorganisation of sub-central government, on the Single Public Procurement Authority or drafting a law on 'better regulation' – the underlying structural issues of the Greek public administration have not been yet addressed. Considerable reforms still need to be implemented, with progresses being properly monitored with facts and figures.

The OECD has recently published a review of the Greek public administration, which highlights the urgency of sweeping reform and identifies a series of core issues to be tackled by the Greek Authorities.<sup>8</sup> The headline message is that "reforms cannot wait any longer", corroborating the Commission's compliance report. The shortcomings that need to be tackled include The central administration has no over-arching strategic vision of the reforms needed to put Greece back on the path to sustainable growth; there is no central steering, ownership of the reforms or accountability for the results. There is a lack of supervision and very little coordination which compromises the success of reforms. Non-implementation of policies and reforms is a major and debilitating weakness, due to a combination of weak central supervision and a culture that favours legislative

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<sup>7</sup> See the four quarterly reviews of the economic adjustment programme for Greece ([http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2011/index\\_en.htm](http://ec.europa.eu/economy_finance/publications/occasional_paper/2011/index_en.htm))

<sup>8</sup> OECD functional review of Greek Public administration (Nov 2011).

production over results. This culture discourages initiative and focuses on process rather than policies. In parallel, budget management needs urgent attention, particularly to improve expenditure control. Human resource management needs to strengthen the civil service and promote mobility. More generally, the complexity and opacity of the Greek administration generates the conditions for corruption.

#### *4.2.1. Political impetus, supervision and ownership*

As in any major governance reform process, strong leadership is needed. This is why the Greek authorities have decided to create, within the next few weeks, a "high level transformation steering group", to supervise and monitor the reforms of the administration, to ensure their coherence and reduce bureaucracy in Greece. This steering group, under the responsibility of the Prime Minister, will cover the entire scope of the Greek administration reform, both at central and regional/local levels. Finally, this "high level transformation steering group" will reinforce ownership of the necessary administrative reform, and permit a more effective communication of the administrative reforms to the Greek citizens.

#### *4.2.2. Priorities and work plan*

In order to establish a priority working action plan for the reform process, the Greek Authorities and the Task Force have agreed to organise the technical assistance under the following seven headings: structure and Rules of Greek public administration; budget: management and monitoring; human resource management and monitoring; e-Governance; better Administrative Regulation; reduced bureaucracy; and anti-corruption.

The Greek authorities regard the enhancement of the structures and rules of the Greek administration, anti-corruption measures, cutting red-tape and reducing bureaucracy as top priorities.

The Task Force has organised a specific workshop on public administration reform (21st October 2011). Following this event, several countries and international organisations have offered technical assistance in this field. Selected examples of a first wave of technical assistance projects are presented below.

##### a. Structure and rules of the public administration

*Central level:* It has been agreed in principle to create, as a top priority, a *stable inter-Ministerial coordination structure* to coordinate and arbitrate on ongoing inter-ministerial issues. This coordination structure, in liaison with relevant coordination units within each Ministries (to be created), will give coherence to many other elements of structure, responsibility, processes and procedures. During the reform process, this coordination structure *will also take responsibility for the implementation* of the decisions issued by the "High Level transformation steering group". The Task Force has been asked to provide technical assistance to help this structure to become operational by the end of Q1 2012.

*Regional and local level:* the principles of coherence and efficiency underlying the central level reform will have to be replicated at regional/local level. Some areas related to the structure and rules at the regional/level have to be addressed immediately - for



example, reform of the decision making-procedure in cohesion policy as discussed in section 2.

On an operational level, and in coordination with TFGR, Greek Authorities accepted the offer from the French Authorities to be "chef de file" for the different issues developed under the "Structure and rules" chapter and the related "HRM: management and monitoring" chapter at central government and administration level. In parallel, contacts are ongoing with the German Authorities, in coordination with TFGR, to identify those aspects for which they could assume responsibilities under the regional and local administration dimension.

Leaders will, in coordination with the Task Force, first provide general assistance in designing the global architecture and strategy, notably to implement the OECD recommendations. This will be translated in the following weeks into a precise road-map, containing actions and concrete projects. The road-map will specify milestones and target dates for each action, and define the type and source of technical assistance for each project (from national authorities/agencies, European institutions, international organisations or the private sector). For the duration of the reform process, the 'chef de file' will, in close coordination with Greek authorities and the Task Force, monitor and manage the coherence of the different projects contained in the road-maps.

The actions and projects contained in these road-maps will be designed taking into account the relevant commitments to 'better regulation', reduced bureaucracy and anti-corruption. A close relation will be also ensured on e-governance in these fields to concentrate on specific priorities (i.e. both applications and data structures) which are attached to actions in the road maps (e.g. process approach).

b. Anti-corruption measures:

The Greek Authorities have notified their intention to screen the processes, laws, weaknesses and other legal aspects which facilitate corruption. The first step is to set up an action plan focusing on the priorities for this screening.

In addition, the Greek Authorities will identify needs for technical assistance to support the development and delivery of training sessions on ethics to administrative staff (first round of training to start during Q1 2012).

c. Budget management and monitoring:

Over the past 18 months, technical assistance in the budget field has been already provided by the IMF, supported by experts from various EU Member States (see above). The way in which the tax administration reforms are implemented represents an important opportunity to make lasting improvements to this central pillar of the public administration.

d. e-Government:

The Greek Authorities have already started the implementation of projects in four major e-government dimensions, namely Enterprise Resource planning (ERP), Citizen Relationship Management, e-Procurement and Human resource management. The Greek Authorities intend to deploy these four dimensions, and to start as a priority with, in the sectors of health, finance and administrative reform.



For all the projects resulting from these e-government dimensions, the Greek Authorities will request general assistance in terms of expertise in the design and implementation of streamlined governmental procedures, and technical assistance in the form of IT project managers. . The different projects will need to be managed carefully to ensure interoperability and coherence. In addition, they must be managed in a way that supports the underlying policies and processes, and concentrate on specific priorities in each sector.

#### **4.3. Judicial reform**

The adjustment programme envisages a number of judicial reform measures, including simplifying procedures before courts, improving case processing, clearing the backlog of court cases, amending the code of Civil Procedure, and establishing an accountability and performance framework for courts. In addition, consideration should be given to incentives to use out of court dispute settlement.

Substantial amendments to the Code of Administrative Procedure and the Code of Civil Procedure in the form of Laws 3900/2010 and 3994/2011, and the new Mediation Law 3898/2010 were enacted in 2010 and 2011. Moreover, the Greek Ministry of Justice announced at the beginning of October 2011 further reform of the judicial system.

The Greek government has identified the acceleration of judicial proceedings, e-justice, and out-of-court dispute settlement as priority issues for technical assistance. Specific technical assistance has been requested relating to training of the magistrates. In addition, contacts are already underway between the Greek, German, French, Dutch, Austrian and UK governments on some of these issues. Meanwhile, the TFGR intends to give immediate priority to reforms in the proceedings of the tax courts and tax dispute resolution, including out of court dispute resolution, which, combined with other measures in the field of taxation and budget can deliver increased revenue in the short term.

Further technical assistance should be planned, in the short term, to support targets included in the Economic Adjustment Programme that need to be completed within the next months (including the design of a performance and accountability framework for courts and the comprehensive review of the Code of Civil Procedure). An evaluation of the 2010/2011 reforms is a pre-requisite in this respect.

#### **4.4. Business environment**

Greece scores very poorly on a number of widely used business environment scorecards. This reflects a business environment that is burdensome for business, creates barriers to entry for new firms, permits a few incumbents to earn high profits, and creates scope for arbitrary decisions and corruption on the part of public servants.

In response to these problems, the Greek government has announced that it is preparing a “Business Friendly Greece” initiative. This foresees an ambitious action plan of institutional reforms to identify and remove obstacles to entrepreneurship, such as high barriers to entry and complex and lengthy licensing procedures.

Some progress has been made through adopting laws that simplify and modernise business licensing (laws 3982/2011 for licensing of manufacturing activities) and facilitate the creation of new companies through a one stop shop approach (Law 3853/2010). Furthermore, the Greek government has announced the creation of a unique Business Registry (GEMI). The Greek Government is also investigating the potential of an "Enhanced Single Window for Exports". This would entail a digital one-stop-shop where all export trade transactions will be processed electronically through one facility.

There are particular business environment problems with respect to the professional services in Greece. Barriers to entry (e.g. restriction on the number of licenses issued) and/or restrictions to the exercise of profession or on fees or prices (e.g. fixed tariffs, geographical restrictions) have accumulated over time in a long list of professions. This has protected incumbent interest groups, curbed competition, and is reflected in the relatively high mark-ups compared to other EU countries. The Greek government has enacted a comprehensive reform in April 2011 (law 3919/2011) which aims to liberalise more than 150 regulated professions, while the manufacturing licensing law (3982/2011) reduced the complexity in the licensing system of technical professions and modernising qualifications and certification requirements. Last but not least, in September 2011, the Hellenic Parliament adopted law 4014/2011 to simplify the environmental licensing process. The effectiveness of these measures in dismantling entry barriers must be carefully monitored and ensured.

The effective implementation of the Services Directives provides a focal point for efforts to streamline administrative formalities for domestic and cross-border business, including in the context of the above-mentioned laws liberalising regulated professions. Greece continues to lag behind in the implementation of this important pillar of single market law. Greece also needs to devote further efforts to improve the availability and functioning of its "points of single contact" as foreseen by the Services Directive. Particular attention should be devoted to enhancing the possibility for domestic and partner country businesses to complete administrative procedures online.

The Greek authorities have submitted initial requests for technical assistance in all of the above areas. These requests include, but are not restricted to, the following items: advice on the "Business Friendly Greece" Action Plan; an impact assessment of the "Enhanced Single Window for Exports" project; a cull of unproductive and burdensome business rules; identification and elimination of unjustified barriers to competition and administrative burdens to firms.

#### **4.5. Public procurement**

The Greek government spends around 11% of its GDP on the acquisition of goods, works and services each year. Greece ranks amongst the poorest performing countries in terms of the efficiency of (above threshold) public procurements. It takes on average of 230 days to conclude a procedure for award of a public contract - more than twice the EU average. Each procedure involves an investment of over 60 person days (40 for the firm and 20 for tendering companies). Some of these delays may be attributed to an excessively litigious environment in Greece, where legal challenges on procedural or other grounds are rife. Another recurrent issue is the high incidence of procedures that are suspended before a contract is awarded without clear justification.

These difficulties result from the accumulation of a number of problems: excessively complex and gold-plated legislation; overlapping responsibilities between different government ministries and agencies; insufficient control of management of procedures by managing authorities; exposure to litigation.

The Greek authorities have requested assistance with the review and simplification of Greek legislation relating to public works, as well as creation of a registry of standard terms of reference. In addition a public consultation has been undertaken concerning the simplification of expropriation proceedings in order to accelerate the launch of public works. It will include inter alia provisions facilitating and simplifying public procurement procedures, an accelerated process for important investments having an urgent character.

The Single Public Procurement Authority (SPPA) has been established to provide central guidance on these issues. The Board of Directors needs to be appointed with a view to assuming responsibilities in early 2012. In addition, the Greek government undertook to review the efficiency of public procurement administration in areas that fall outside the remit of the SPPA. While an initial mapping of the current situation has been prepared, a complete and comprehensive programme of action is still awaited. Similarly, a planned review of the mechanisms for appeal against procurement award procedures has not yet been delivered.

Greece is lagging behind most other EU Member States in terms of the use of e-procurement. After significant delays, work has finally commenced on the construction of a national e-procurement platform. This is scheduled to be fully operational within one year. Realisation of this deadline will require heavy investment and extensive technical support. However, this investment will be quickly repaid benefits by enhanced transparency and supervision of public purchasing.

#### **4.6. Competition**

Many sectors of the Greek economy have been sheltered from strong competition by extensive regulatory, administrative and price controls. To counter this, the Greek government has assigned important responsibilities and market monitoring powers to the Hellenic Competition Commission (HCC). Recently, it has extended the competence of the HCC, giving it the ability to issue opinions on draft laws/regulations that may create barriers to competition. Law 3959/2011 aims at increasing the effectiveness of the Hellenic Competition Commission by promoting further harmonisation with EU competition law and practice (introduction of a leniency programme for cartel whistleblowers). However, there is further scope for strengthening the effectiveness of the HCC as anti-trust policeman.

There may be scope for targeted technical assistance in respect of individual sectors or markets (such as energy or telecoms) as well as for enhancing and centralising the management of State aid. The Greek authorities have submitted initial requests for TA to assist in identifying and eliminating obstacles to competition via a screening of existing legislation.



#### 4.7. Privatisation

The government's privatisation programme has a dual role to play in the economic recovery of Greece: first, through the use of asset sales to reduce Government debt; secondly and just as importantly, to promote the business transformation of Greece, by encouraging improved business practices and higher investment. In a word, increase the competitiveness of the real economy in Greece. To be fully successful, privatisation should be preceded by adequate preparatory measures such as unbundling, legal and economic due diligence and regulatory reform. The Greek authorities should make best use of the time prior to privatisation to implement these preparatory measures.

The Greek government has identified an extensive portfolio of assets for potential privatisation, including listed and non-listed companies, concessions and commercially-viable real estate (buildings and landed property). The detailed inventory of targeted assets consists of 50 per cent land, 35 per cent infrastructure (including energy) and 15 per cent corporations (public utilities). The initial privatization timeline for preparing assets for privatisation and then divesting such assets aimed at proceeds of 5BN€ by end-2011, 15bn€ by end-2012 and 50BN€ by end-2015. Current economic conditions in Greece and prevailing market pricing levels have made revisions to this roadmap necessary.

In order to manage the divestment process, the Greek Government established a Privatization Fund (Hellenic Republic Asset Development Fund) under Greek law for a period of 6 years. The fund has the mandate to privatize assets at prevailing market conditions as soon as technically feasible and in an open and transparent manner. Due to the current market conditions it may prove difficult to reach the privatisation targets under the time line described above; at the same time complying with these targets is critical in order to avoid that the Greek government falls short of the targets for fiscal consolidation. Recently, the Greek government revised downwards its privatization objectives for the fourth quarter of 2011. The new target foresees revenue of 1.3BN€ from privatizations and concessions between October and December 2011.

The Greek authorities have submitted initial requests for technical assistance to:

- support the privatisation process by enhancing internal knowhow and capacity building, in order to reduce the current over-reliance by the Privatisation Fund on outsourcing project management to external consultants;
- clarify land use status through appropriate reforms to the land registry, which would assist in achieving higher values when real estate assets are placed on the market. In particular, a comprehensive asset-inventory is a key requirement for the Fund to move forward.
- on a short-term basis, the Fund is particularly interested in technical assistance focused on strategic advisers for real estate. Moreover, external expertise is needed in areas such as regulatory authorities (ports and marinas), communication advisers and organisation of international road shows.



#### **4.8. Public health**

Given the high share of public expenditure on healthcare, reform of public health service is a crucial component of Greece's adjustment programme. Total expenditure on healthcare as a percentage of GDP amounted to 9.7% in 2008 – in line with average expenditure across the EU (9.6% in 2008), while public expenditure is below the EU average (5.9% compared to the EU average of 7.4% in 2008). These average figures, however, do not factor in the impact of GDP contraction since 2008. Moreover, they conceal a number of concerns linked to the disproportionate and growing expenditure on technology and pharmaceuticals, as well as efficiency of and access to the healthcare system.

The Greek authorities need technical assistance to implement reforms designed to rein in health expenditure while maintaining universal access and increasing the quality of care delivery. These could include efficient pricing and reimbursement of medicines, proper accounting and monitoring of expenditure (including e-prescription), modern procurement, invoicing and administration, efficient management of NHS hospitals.

As a matter of priority, the Greek authorities have requested assistance in identifying best practices in pricing and reimbursement policies (including generics) and in demand side policies aimed at containing consumption of medicines.

Modalities of technical assistance will have to be defined consistently with the report of the Greek Taskforce of Independent Experts which should be delivered by end-November 2011.

#### **4.9. Migration and borders**

Migration and borders management in Greece has been a matter of concern for a number of years. The Greek authorities have committed to implement a vast reform of their asylum and migration policies and have adopted a National Plan on Asylum and Migration Management which identifies short and longer-term measures to be implemented. Greece has also presented a National Action Plan "Greece Schengen" aiming to remedy deficiencies in the management of the country's external borders.

Some progress has been achieved under these action plans but more is needed. Technical and financial assistance has been provided to support the Greek authorities, in particular through the four EU Funds of the General Programme "Solidarity and Management of Migration Flows" (€ 223 million available for Greece under these Funds for the period 2010-2012 only). However, the effective implementation of these Action Plans largely depends on the successful use of the EU financial assistance.

Technical assistance is needed for the Greek authorities on policy development in the area of borders, asylum and migration, as these are the main beneficiaries of the 'SOLID' Funds. Technical assistance is also urgently needed to improve the take-up of these Funds, with measures aiming in particular to strengthen the administrative capacity and to remove red tape constraints. To speed up the implementation of the Action plans on migration and border management, the Greek authorities should explore all possible avenues to mobilise resources with sufficient expertise, including internal mobility of

staff as well as externalisation of certain tasks to international organisations or other relevant bodies.

Given the horizontal nature of the required changes and simplifications (including, for example, for public procurement procedures, for the earmarking of the funds in the National Investment Programme, for the preparation of actions to be co-financed by the Funds before the formal adoption of the Annual Programmes), the identification of TA priorities for administrative reforms in these areas will contribute to improve the effective use of the SOLID Funds. This is particularly relevant for the External Borders Fund, the European Return Fund and the European Refugee Fund.

Moreover, the Greek government has requested assistance with respect to improving immigration services. This includes the establishment of a procedure to assess the inflow of immigrants based on labour force needs. The Greek government is also interested in exploring additional flanking and support measures, notably related to facilitating social inclusion of immigrants.

The Commission is considering to what extent these requests are covered by existing programmes (e.g. SOLID funds) in order to establish the needs for additional assistance.

## **5. CONCLUSIONS / NEXT STEPS**

The Task Force was created to assist the Greek government in implementing the structural reforms foreseen by the economic adjustment programme and to optimise the use of available the resources available from EU cohesion policy funds. The Task Force has quickly established effective cooperation and a good working relationship with the Greek authorities. The Task Force is already hard at work, helping the Greek authorities on a number of fronts.

It is helping to refocus cohesion policy expenditure on projects with the highest potential impact. In addition, the Task Force is working closely with the Greek authorities and other Commission services to unblock several important transport and environmental projects. The Task Force is helping to frame cohesion policy programmes in innovative ways that can sustain bank lending to SMEs. These instruments can make an important contribution to sustaining the flow of credit to viable and cash-strapped businesses.

The Task Force is helping to finance and implement an important reform agenda in the area of tax administration and public finance management. Tax experts from the IMF and EU Member States are already helping the Greek authorities to strengthen tax collection and budget management functions.

The Task Force is reviewing changes to the governance and structure of Greek public administration which are needed to ensure effective coordination and Greek ownership of the reform of their public administration. The Task Force has worked quickly with the Greek authorities to identify the areas where technical assistance is most needed to support the economic adjustment programme. This includes issues including improvements to the business environment, public procurement, technical assistance for the privatisation programme, public health. As its next priority, the Task Force will finalise a comprehensive road-map for the programme of technical assistance.

*Annex 1: Mission of the TFGR:*

Excerpt from PERS doc (2011) 111/2 of 19.07.2011

The Task Force has been created with the mission of:

- (1) identifying and coordinating, in close cooperation with Greece and benefitting from input from other Member States, the technical assistance that Greece needs to deliver the EU/IMF adjustment programme;
- (2) assisting the relevant Greek authorities in defining the details of the kind of technical assistance to be provided;
- (3) preparing clear Terms of Reference for all technical assistance assignments which specify the nature and scope of the technical assistance actions to be provided, the entity in the Greek administration that will be the beneficiary of technical assistance, the budgetary and human resources (including ENDS and experts from the private sector) that will deliver the technical assistance, and the expected results, with milestones and delivery deadlines;
- (4) recommending legislative, regulatory, administrative and if necessary (re)programming measures for an accelerated take-up of EU funds, in close cooperation with the relevant Commission services, the Greek authorities and the EIB, focussing on competitiveness, growth and employment/training;
- (5) providing quarterly progress reports to the Commission and the Greek authorities as well as, on a needs basis, more frequent alert reports. The first such report shall address measures for an accelerated take-up of EU funds, including a concrete plan and time schedule, and be sent to the Commission and Greek authorities by the end of October. The Task Force may also be used to provide technical assistance and to co-ordinate the work of the Commission in a limited number of other areas, for example external border control and asylum.



## **Annex 2 : The Way Forward in the field of Tax Administration**

In the area of Tax Administration, Task Force for Greece has set itself the goal to ensure that offers of technical assistance (TA) from Member States and third countries are fully coordinated in an integrated / overarching framework, taking into account the longstanding involvement of the IMF in Greece and the first significant progresses already achieved.

Offers of technical assistance from various Member States or third countries (Austria, Belgium, Denmark, Estonia, France, Germany, The Netherlands, Norway, Portugal, Spain) have already been expressed at a coordination meeting held on 20 October 2011 in Brussels ; other Member States may follow suit, and provide support in specific areas where their expertise is recognized.

The coordination meeting enabled all parties involved (the Greek authorities, Commission – TFGR and DG TAXUD -, IMF and Member States) to agree on an overall framework for the provision of TA to Greece in the field of tax administration. The IMF will play a key role in coordinating and monitoring TA to Greece, building upon the knowledge accumulated and the contacts established during the last 18 months. Experts from Member States and third countries will provide most of the TA, using the tools of the FISCALIS programme managed by DG TAXUD. Where needed, the Task Force for Greece will help to provide other tools and financing than FISCALIS, for example if the Greek authorities require TA which goes beyond what FISCALIS can usually provide.

By unanimous agreement between Greece and all parties offering to provide TA, the meeting of 20 October 2011 led to the identification of nine policy areas targeted for technical assistance. Together, these nine policy areas cover most of the strategic processes of the Greek tax administration:

- **Strengthening debt collection and management (priority)**

Given the fact that total tax arrears are estimated at around € 60 bn, of which around € 6-8 billion is considered collectible, this is clearly a priority with scope for possible “quick wins”. TA in this field will strive to assist the newly created (26 September 2011) debt management directorate in further optimizing its organization and to implement effective methods for debt collection. It will also set the stage for the creation of a modern automated debt collection system, which will reinforce compliance and help identify non-complying taxpayers, in order to secure overdue payments. Progress will be monitored, among others, by the increase in collected debts and by the number of dedicated staff fully trained for debt collection.

- **Strengthening the tax dispute resolution system (priority)**

Debt collection is hampered by a tax dispute resolution system, which has led to a massive backlog of pending tax cases (around 165,000 representing around € 30 bn in unpaid taxes), which are tied up for excessively long periods (7-12 years). TA in this field will build upon legislative changes already made and aim at furthering three complementary goals: revamp the administrative tax dispute process, establish specialized units dealing with tax disputes and promote, where possible, alternative



routes for dispute resolution (mediation). Reduction of the number of tax dispute cases at the different levels (administrative, judicial) will be one possible benchmark indicator.

- **Revamping the taxpayer audit function (priority)**

Taxpayer audit is critical to crack down on tax evasion and to improve revenue. The Greek authorities have already introduced a sophisticated tax audit software named ELENXIS. TA in this field will inter alia endeavor to develop an overall audit strategy and to enhance training of audit staff. Results will be monitored utilizing benchmark like the additional revenue generated through tax audit.

- **Enhancing control of large taxpayers (priority)**

Large corporate taxpayers are responsible for a major part of the overall tax revenue. The Greek authorities requested TA which is geared towards the development of a strategy specifically aimed at these taxpayers and the set-up of dedicated offices for large taxpayers. Progress will be monitored through benchmarks related to the correct implementation of this strategy, for example in terms of tax audit of large taxpayers.

- **Enhancing control of High Wealth Individuals (HWI) and High Income Self-Employed (HISE)**

Large individual taxpayers (so-called High Wealth Individuals and High Income Self-Employed) should also provide a sizeable part of tax revenue and pose specific problems in terms of control. TA will be provided in this area with a view to creating specific units / offices and developing a comprehensive compliance and audit strategy towards this category of individual taxpayers. Increase in revenues from this population will be one of the benchmarks used to follow the results of action in this field.

- **Improving registration, filing and payment enforcement**

An automated filing and payment enforcement system is key to improving compliance by taxpayers, as established by the introduction of such a system for VAT. TA in this field will strive to develop a strategy for the identification and registration of taxpayers on the one hand, and roll out e-filing and e-payment on the other hand. This will have to be coordinated with the overall e-government program implemented in the field of administrative reform.

- **Improving taxpayer services**

Taxpayer services have long been recognized by tax administrations as critical to improving taxpayer compliance

. To set-up of a taxpayer service unit and to develop the related products (call center, brochures, outreach program for some categories of taxpayers etc.) is a further area for targeted TA. The overall increase in voluntary compliance would be one possible benchmark in this area.

- **Improving risk and revenue analysis capability**

A Tax administration needs to be in a position to make accurate forecasts of total revenue, based on the macro-economic environment, the information gathered through

monthly or quarterly figures of revenue collection, etc. TA would henceforth be useful in this field.

- **Rebuilding the tax administration organization**

Building upon the work already done by the IMF in this area and the continued provision of TA by the IMF in this field (especially through a long-term advisor based in Athens), TA in this area should aim at designing and implementing a structured training program, enhancing internal audit and anti corruption mechanisms and streamlining operations.

Aside from these nine policy areas, two cross-cutting, enabling issues have also been identified on 20 October 2011: The exchange of information with other countries on the one hand, which could be instrumental in enhancing the fight against tax evasion ; the set-up of a land register on the other hand, which will bring benefits not only in the field of tax administration but will clearly be a decisive asset for improving revenue collection and tax audit, especially when targeted at HWI-HISE.

The next steps for provision of TA to Greece will be the following ones:

- A joint assessment visit by the IMF, the European Commission (DG TAXUD and TFGR) and experts from Member States, in order to precisely identify the needs for hands-on TA, especially in the priority areas mentioned above, is due to take place in November 2011;
- A series of thematic workshops will then start which, in each policy area identified, will provide the Greek tax administration with access to best practice from other Member States,
- Countries providing specific TA will then be in charge of provision of short-term expertise and other relevant FISCALIS tools (site visits for example, which make it possible for Greek officials to see “on field” how the suggested model actually works in the country providing TA) in this policy area, for the duration stated in the overall TA framework.
- Progress will be monitored by the European Commission and the IMF, in order to make sure that the goals set in the TA program are actually achieved, with benchmark indicators used to monitor progress being made.

Next steps are presented in the attached table, with dates being at this stage indicative.

**3. PROVISIONAL SUMMARY OF ACTIONS FOR TARGETED TA IN TAX ADMINISTRATION  
(SOURCE : DG TAXUD)**

<i>Objective</i>	<i>Subject for TA</i>	<i>Timing</i>	<i>Working method</i>
<i>Reform strategy design and implementation</i>		<i>Ongoing</i>	<i>Missions, LTX, STX</i>
	<i>Coordination/supervision of TA in Athens</i>	<i>Ongoing</i>	<i>LTX</i>
<i>Rebuilding headquarters and streamlining operations</i>	<i>HQ redesign and implementation</i>	<i>Q32011</i>	<i>Missions, STX</i>
	<i>Management information systems</i>	<i>Q32011</i>	<i>Mission, STX</i>
	<i>Design of a training programme</i>	<i>Q22012</i>	<i>STX</i>
	<i>Internal audit and anti-corruption</i>	<i>Q32012</i>	<i>WS,WV,STX</i>
<i>Debt collection and management</i>	<i>Gap analysis and evaluation of implementation of TA</i>	<i>Continuously</i>	<i>STX</i>
	<i>Debt-collection methods and procedures</i>		
	<i>Establishment of a debt management directorate</i>	<i>Q42011</i>	<i>WS,WV,STX</i>
	<i>Automated debt collection</i>	<i>Q22012</i>	<i>STX</i>
	<i>Gap assessment and evaluation of implementation of TA</i>	<i>Continuously</i>	<i>STX</i>
<i>Build effective tax dispute resolution processes</i>	<i>Dispute resolution processes</i>	<i>Q42011</i>	<i>WS,STX</i>
	<i>Gap analysis and evaluation of implementation of TA</i>	<i>Continuously</i>	<i>STX</i>
<i>Revamp tax payers audit's function</i>	<i>Direct and Indirect audits methods</i>	<i>Q42011</i>	<i>WS,STX</i>
	<i>Use of Audit software</i>	<i>Q12012</i>	<i>Training Programme</i>
	<i>Modern VAT Audit techniques</i>	<i>Q12013</i>	<i>WS,WV,STX</i>
	<i>Gap analysis and evaluation of implementation of TA</i>	<i>Continuously</i>	<i>STX</i>
<i>Large taxpayers</i>	<i>Large taxpayers office implementation</i>	<i>Q32011</i>	<i>STX</i>
	<i>Compliance processes for large taxpayers</i>	<i>Q42011</i>	<i>WS,STX</i>
	<i>Gap analysis and evaluation of implementation of TA</i>	<i>Continuously</i>	<i>STX</i>
<i>Revenue and risk analysis</i>	<i>Revenue analysis and forecasting</i>	<i>Q22012</i>	<i>WS,STX</i>
	<i>Risk analysis</i>	<i>Q22012</i>	<i>WS,STX</i>
	<i>Gap analysis and evaluation of implementation of TA</i>	<i>Continuously</i>	<i>STX</i>
<i>Taxpayer services</i>	<i>Centralized taxpayer services</i>	<i>Q12013</i>	<i>WS,WV,STX</i>
	<i>Right from the start programme</i>	<i>Q22013</i>	<i>WS,WV,STX</i>
	<i>Tax rulings programme</i>	<i>Q32013</i>	<i>WS,WV,STX</i>
	<i>Gap analysis and evaluation of implementation of TA</i>	<i>Continuously</i>	<i>STX</i>



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*implementation of TA*

Long term expert: LTX

Short term expert: STX

Workshop: WS

Working visit: WV