

GREECE IS CHANGING

2010 – 2012

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Greece is undergoing the most severe economic crisis of the postwar period

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- Since 2008 the Greek economy has lost around 13% of GDP
- Unemployment now exceeds 20%
- Since 2010 Greece has undertaken one of the most demanding and severe adjustment programs ever applied in the developed world
- The Greek society is hurting

But the adjustment effort is not in vain

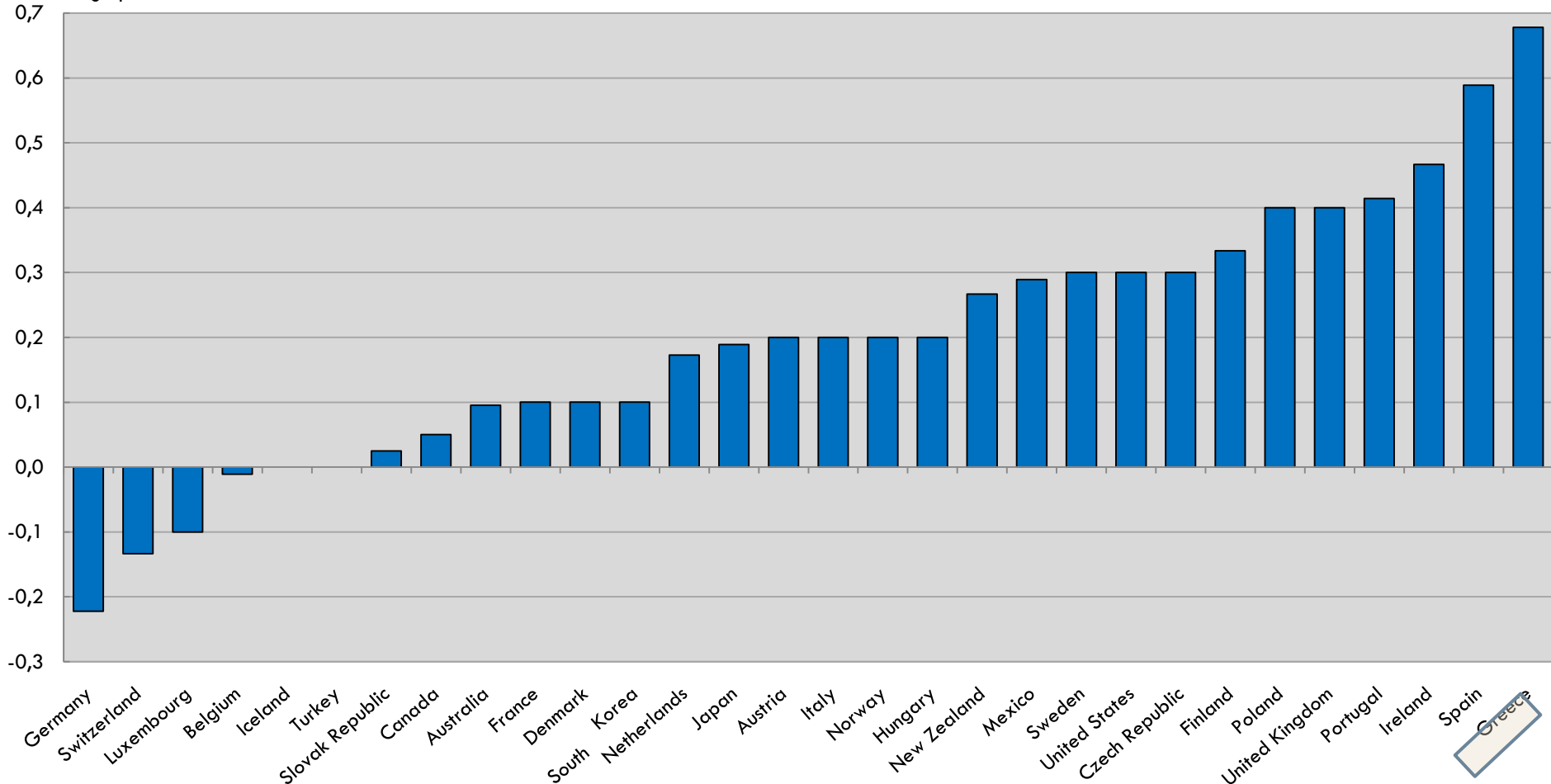
Greece is Changing

Greece is changing fast

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Change in responsiveness to OECD Growth Recommendations, 2008-2011

Percentage points



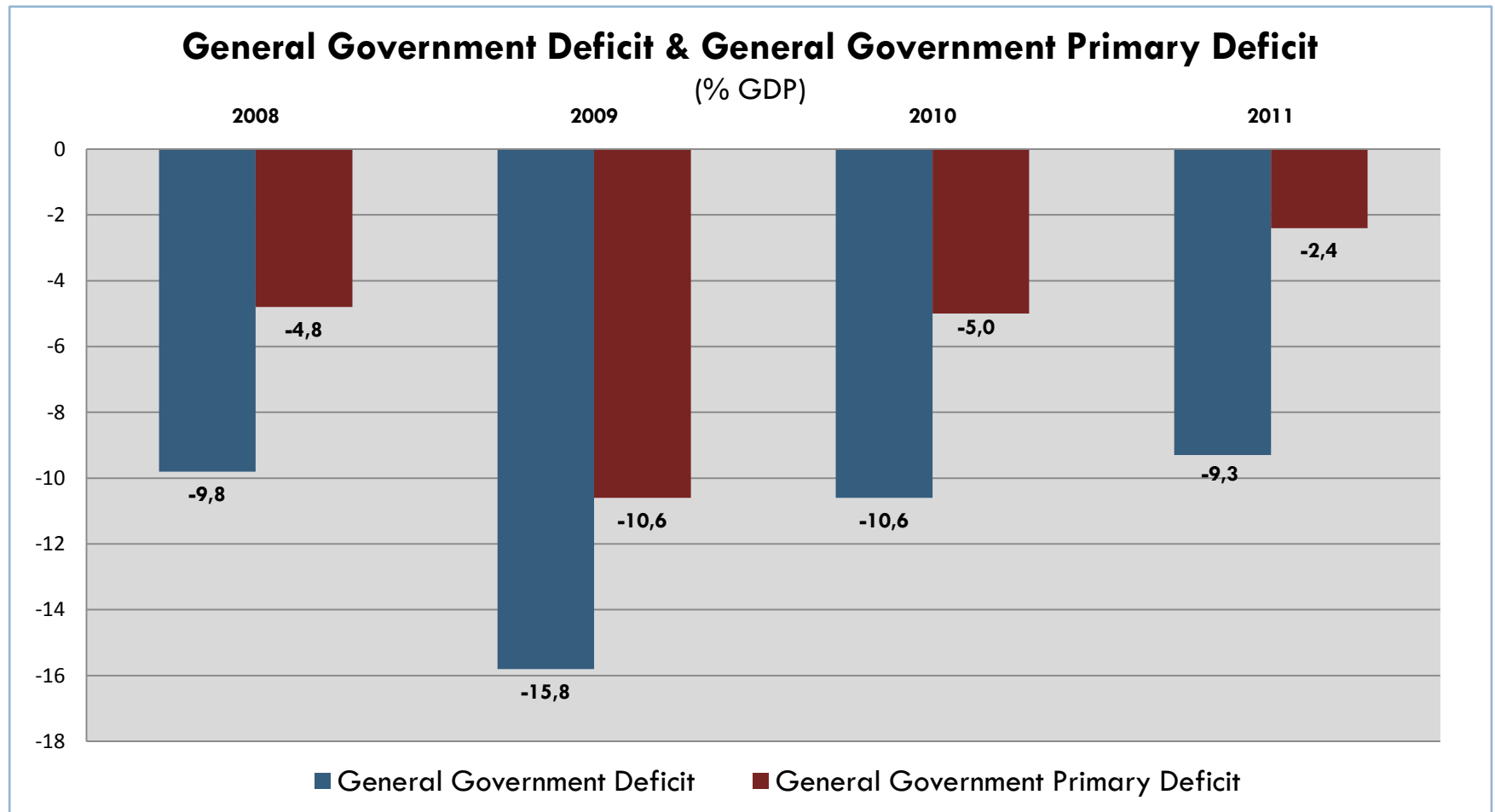
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Fiscal consolidation

Fiscal consolidation (i)

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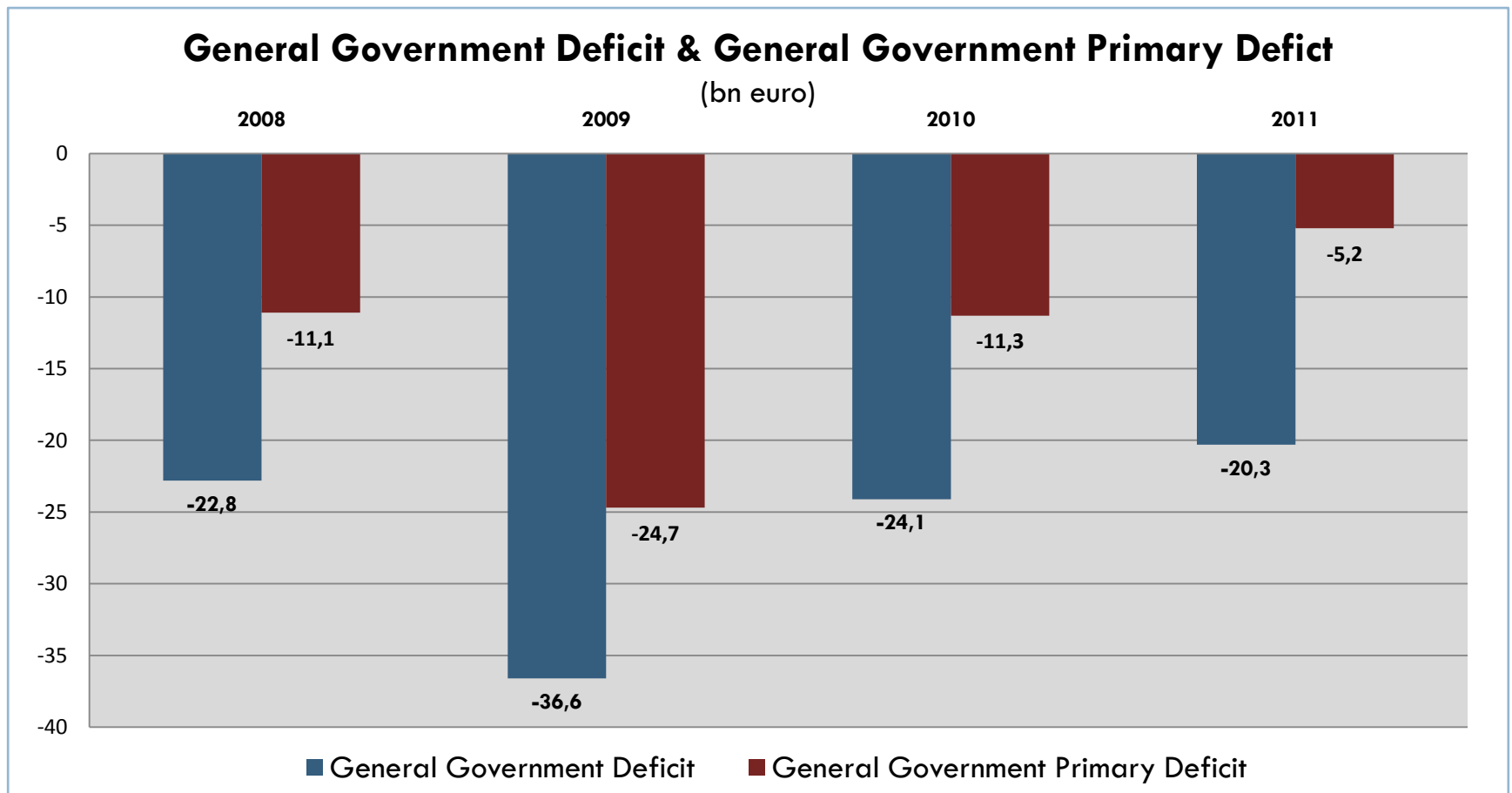
- **General government deficit** shrank by 6.5 percentage points of GDP in 2009-11



Fiscal consolidation (ii)

7

- **Primary budget deficit decreased** from €24.7 bn in 2009 to €11.3 bn in 2010 to €5.2 bn in 2011



The fastest fiscal consolidation (i)*

Primary Balance Improvement (percentage points of GDP)

8

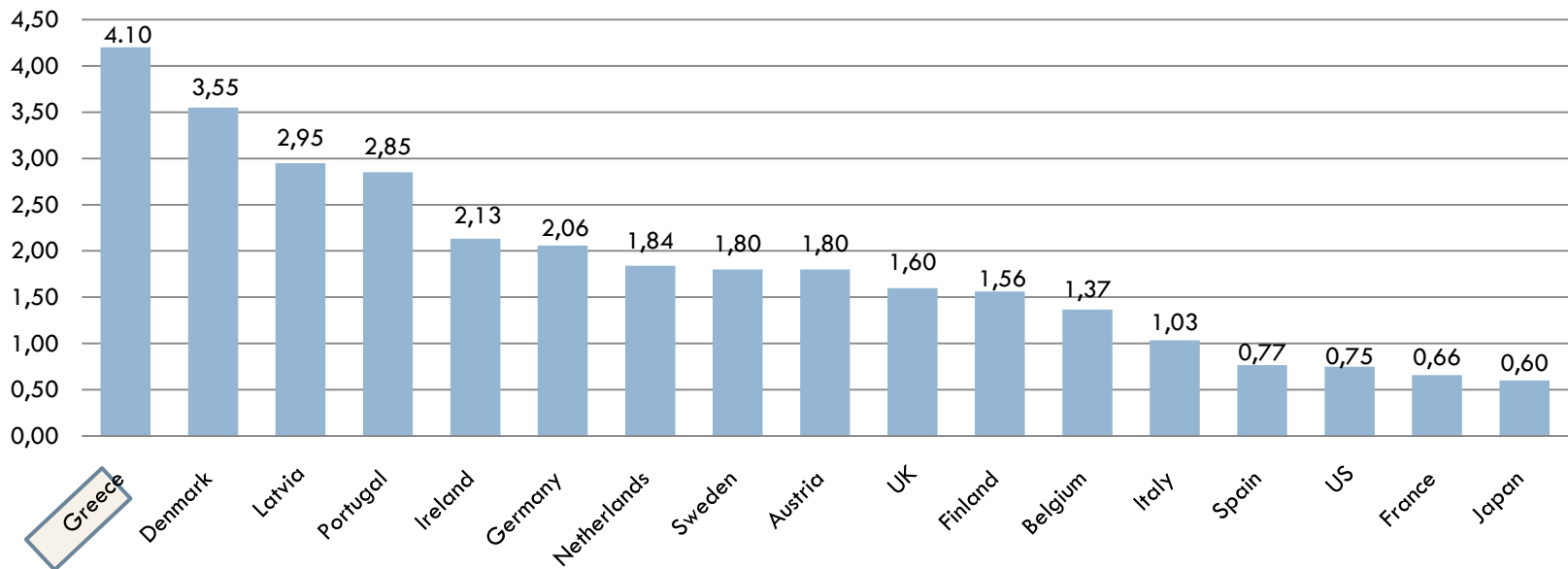
Country	From	min	To	max	Total	Years	Avg
Greece	2009	-10.6	2011	-2.4	8.2	2	4.10
Denmark	1982	-2.6	1986	11.6	14.2	4	3.55
Latvia	2009	-8.2	2011	-2.3	5.9	2	2.95
Portugal	2009	-7.3	2011	-1.6	5.7	2	2.85
Ireland	1986	-1.3	1989	5.1	6.4	3	2.13
Germany	1995	-6.0	2000	4.3	10.3	5	2.06
Netherlands	1995	-3.6	2000	5.6	9.2	5	1.84
Sweden	1993	-5.5	2000	7.1	12.6	7	1.80
Austria	1995	-1.8	1997	1.8	3.6	2	1.80
UK	1993	-4.9	2000	6.3	11.2	7	1.60
Finland	1992	-2.9	2000	9.6	12.5	8	1.56
Belgium	1981	-7.4	1990	4.9	12.3	9	1.37
Italy	1987	-3.6	1993	2.6	6.2	6	1.03
Spain	1995	-2.1	2001	2.5	4.6	6	0.77
US	1992	-0.9	2000	5.1	6.0	8	0.75
France	1993	-3.2	2000	1.4	4.6	7	0.66
Japan	1981	-0.7	1991	5.3	6.0	10	0.60

* Fiscal consolidation episodes as defined in OECD Economic Outlook 81, May 2007

The fastest fiscal consolidation (ii)

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Fastest fiscal consolidation*
Average annual primary balance improvement
(percentage points of GDP per year)



✓ Greece achieved an annual rate of fiscal consolidation of 4.2 percentage points of GDP on average, the highest in the developed world over the last few decades

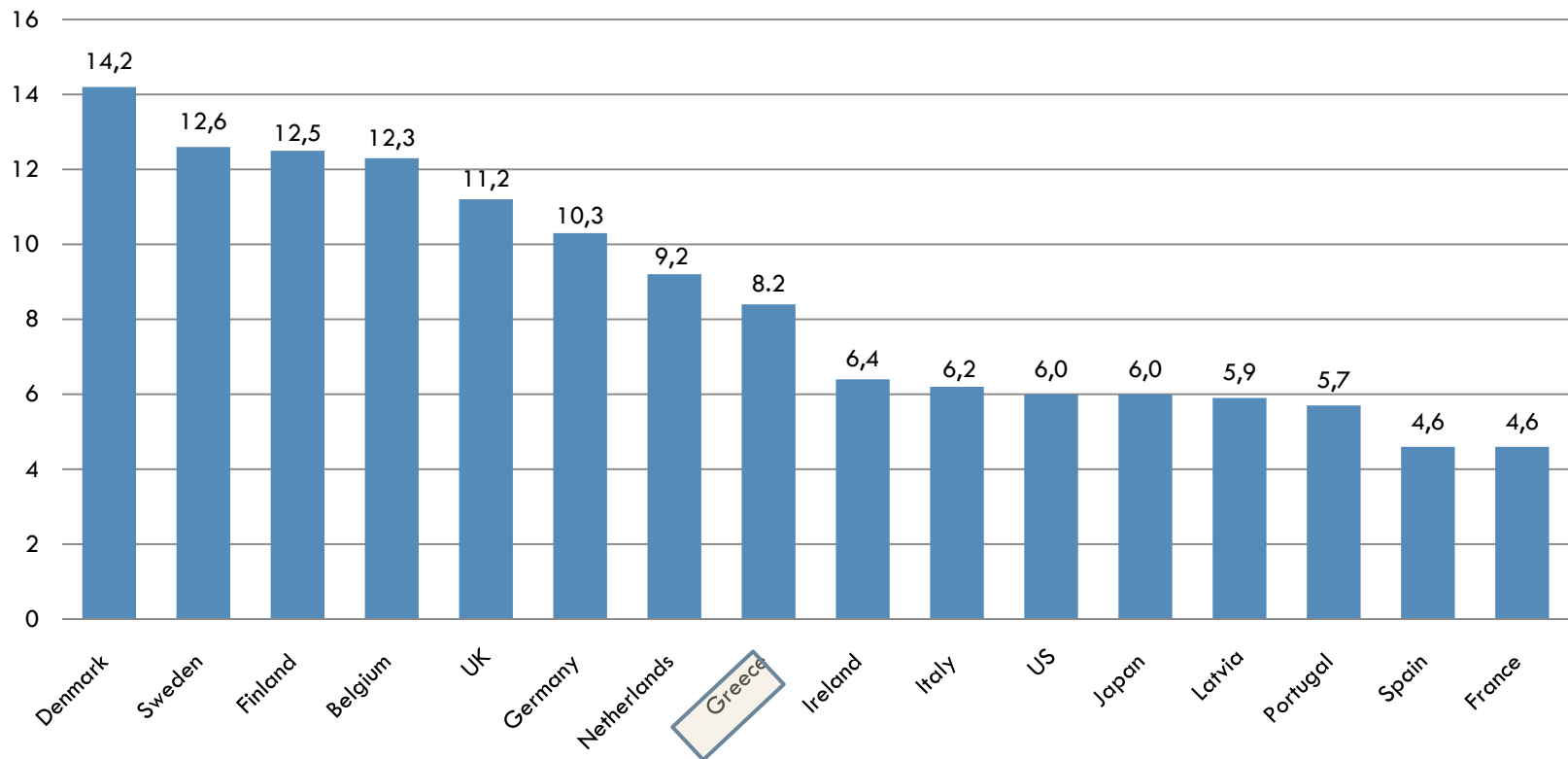
* Fiscal consolidation episodes as defined in OECD Economic Outlook 81, May 2007

Source: AMECO

Highest scores of fiscal consolidation*

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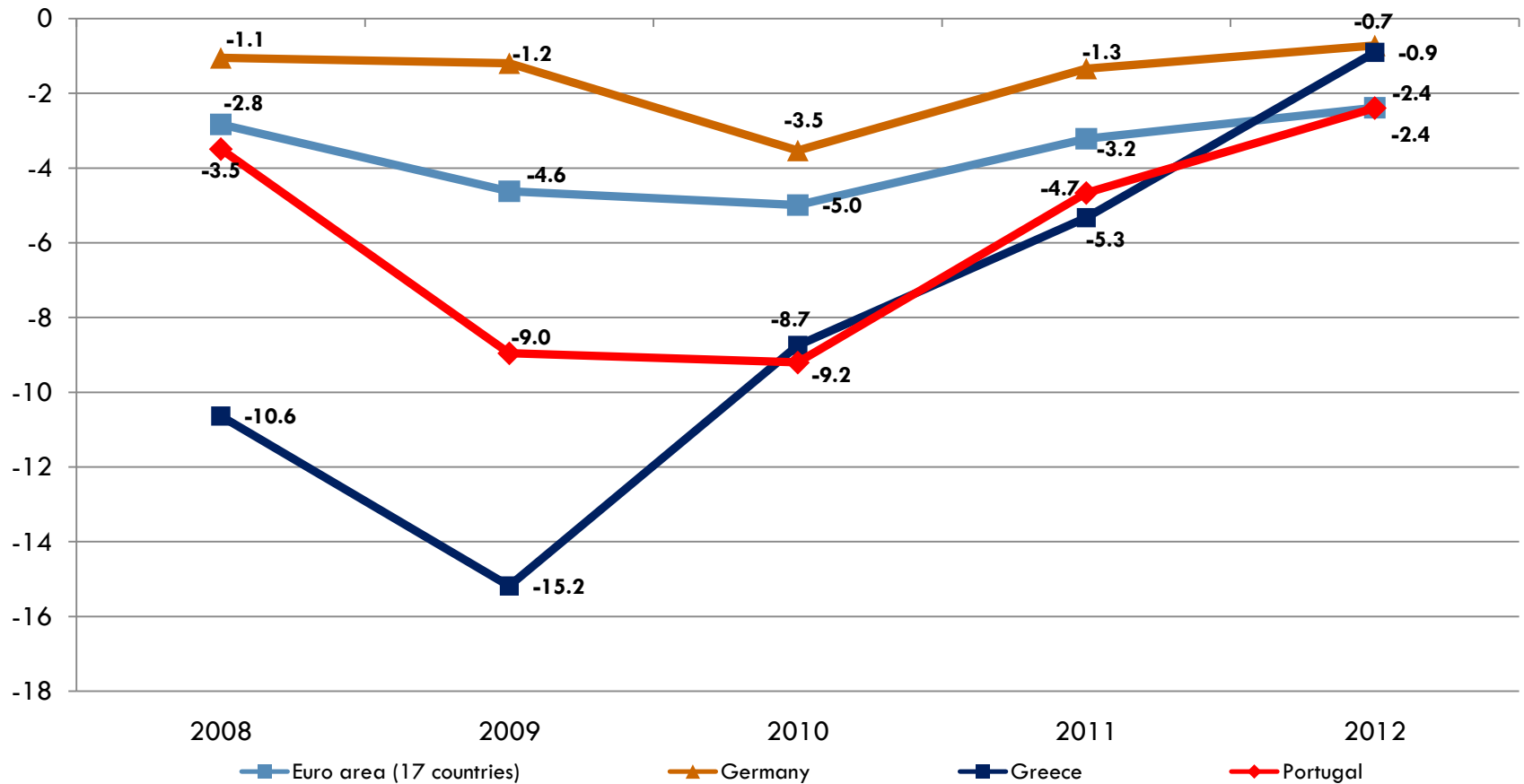
Highest scores of primary balance improvement
(percentage points of GDP)



* Fiscal consolidation episodes as defined in OECD Economic Outlook 81, May 2007

Cyclically adjusted budget deficit* (% GDP)

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*i.e. correcting for the effect of the business cycle (structural budget deficit)

A significant primary balance improvement

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- The primary deficit from 2009 to 2011 has fallen by 8.2% of GDP, with almost **two thirds** of the adjustment coming from cuts in primary expenditure (5.3% of GDP)
- Primary expenditure has fallen by **16.9%** since 2009

Primary Expenditures 2009-11 (bn euro)

	2009	2010	2011	2009-11
	Act.	Act.	Est.	Change %
Primary Expenditure	112.7	101.0	93.6	-16.9%
Wages	31.0	27.5	25.8	-16.8%
Social benefits and pensions	49.0	47.2	46.5	-5.1%
Goods and services	17.1	14.0	11.9	-30.4%
Other current	3.5	3.3	2.4	-27.8%
Capital	12.1	8.8	7.5	-38.0%

General Government Finances 2009-11

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	2009 Act .	2010 Act .	2011 Est.	2012 Proj.	2009-2011	
					Change	%
Greece (bn euro)						
Revenue	88.1	89.8	88.5	86.3	0.4	0.5
Primary Expenditure	112.7	101.0	93.6	88.3	-19.1	-16.9
Primary Balance	-24.6	-11.2	-5.1	-2.0	19.5	-78.9
Greece (% GDP)						
Revenue	38.0	39.5	41.1	42.3	3.1	8.2
Primary Expenditure	48.7	44.4	43.5	43.3	-5.2	10.7
Primary Balance	-10.7	-4.9	-2.4	-1.0	8.3	77.4
Eurozone (% GDP)						
Revenue	44.8	44.7	45.3	45.8	0.5	1.1
Primary Expenditure	48.3	48.1	46.4	46.1	-1.9	-3.9
Primary Balance	-3.5	-3.4	-1.1	-0.3	2.4	-68.6
Greece (bn euro)						
GDP (nominal)	231.6	227.3	215.2	203.7	-16.4	-7.1

Source: Eurostat for 2009-2012, European

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Rapid economic adjustment

The 2nd Fastest Changing Economy

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✓ According to the Euro Plus Monitor, Greece ranks **No. 2** in terms of the degree of adjustment in its economy during 2009-2011

Fastest adjusting Eurozone economies (Adjustment Progress Indicator)

Rank	Country	Total Score	External	Fiscal	RULC
1	Estonia	8,4	9,9	5,6	9,8
2	Greece	6,6	6,4	8,2	5,2
3	Ireland	6,5	7,0	4,5	7,9
4	Malta	6,4	7,9	4,4	7,0
5	Spain	5,7	6,5	7,5	3,1
6	Slovakia	5,0	5,0	5,7	4,4
7	Portugal	4,9	5,1	6,4	3,2
8	Netherlands	4,0	3,2	5,1	3,8
9	Luxembourg	4,0	3,3	1,9	6,8
10	Finland	3,8	0,5	3,5	7,5
11	Slovenia	3,6	4,6	3,6	2,6
12	Italy	3,3	2,3	4,7	2,9
13	Cyprus	2,9	4,0	3,4	1,3
14	Belgium	2,6	2,8	1,6	3,3
15	France	2,5	2,5	3,9	1,3
16	Germany	2,2	1,6	3,7	1,1
17	Austria	2,1	3,2	1,6	1,6
	Euro17	3,2	3,0	4,5	2,2

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Main expenditure cuts

Main expenditure cuts (i)

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- Cumulative Cuts in **Nominal Public Sector** wages over 30% in 2009-11

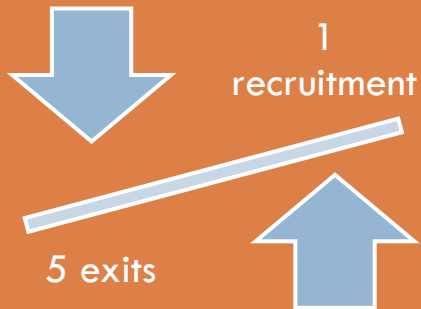
- Cuts in salaries of **State-owned Enterprise (SoE)** employees
 - By 30% in 2010, with an additional average cut of 20% and ceiling on average monthly salaries of €1,900 imposed in 2011-12
 - The average wage in SoEs as of February 2012 is equal to 65% of the average SoE wage in 2009

- Cuts in nominal pensions
 - Permanent surcharge on main pensions up to 10% in 2010 and 14% in 2011
 - Additional cuts in main pensions of 20% in 2011 and 12% in 2012
 - Average cut in supplementary pensions of 11% in 2011-12 eliminating structural deficit in supplementary pension system

Main expenditure cuts (ii)

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Rule of 5 exits for 1 recruitment



- Since 2009 total public sector employees were reduced by **130,000**
 - ▣ Fixed-term employees were reduced by **68,000**
 - ▣ In addition, paid interns were reduced by at least **50,000**

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Tax measures

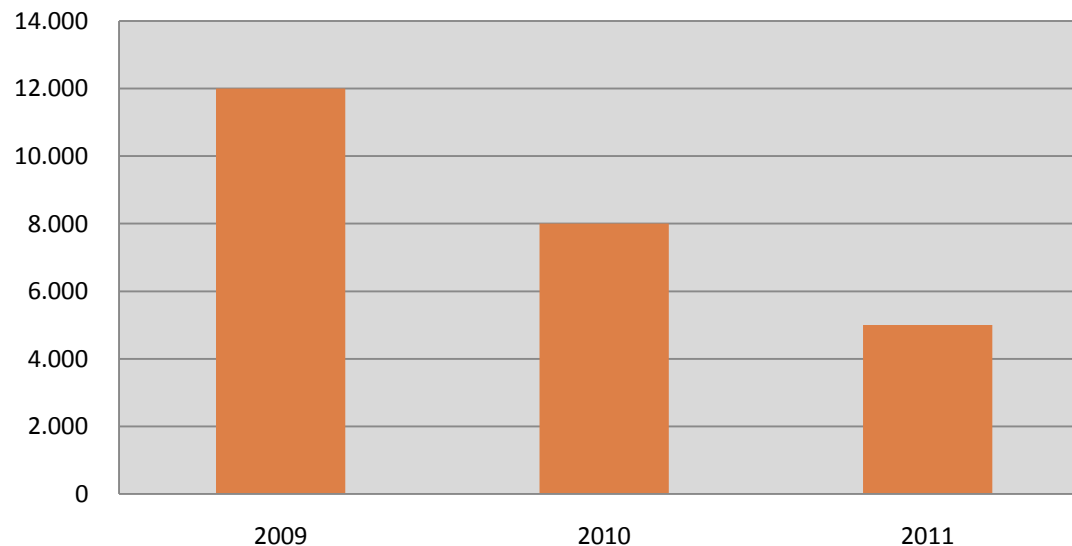
Supporting fiscal consolidation

Tax measures (i)

20

- **VAT rates increased** (19% rate → 23%; 11% rate → 13%; the 5.5% rate raised to 6.5%). A number of goods and services were also transferred from the 13% rate to the 23% rate
- **Excise taxes raised** by 33% on fuel, cigarettes and alcohol
- **Drastic reduction in the tax free threshold**

Tax free thresholds (euro)



Tax measures (ii)

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- **Special levies** on
 - profitable firms
 - high income individuals
 - high-value real estate

- **Solidarity tax** on total declared incomes higher than €12,000
 - tax rate from 1% to 5%

- **Additional property tax** to be collected via electricity bills from 2011 onwards
 - expected revenues close to 1% GDP of 2011

Tax measures (iii)

22

- **Expenditure monitoring** mechanisms strengthened:
 - Establishment of **commitment registries** in progress
 - Gradual appointment of **permanent financial accounting officers** in all Ministries
 - **Binding expenditure ceilings** in Ministries

- A first plan for the **clearance of arrears** published
 - Aims to steadily reduce the stock of arrears from December 2011

23

Tax reforms & Combating tax evasion

Tax reforms

24

- A **new IT system** interconnecting all tax offices is being introduced
 - ▣ expected to be operational by January 2013

- **“Fast track”** administrative tax dispute resolution mechanism
 - ▣ judicial procedures for tax cases shortened

- **Merger and centralization** of tax offices in process

Combating tax evasion (i)

25

- **New unit for large tax-payers activated to:**
 - audit
 - monitor filing and payment obligations
 - collect tax debts

- **New risk-based audits have been initiated**
 - 1,700 high-wealth and self-employed individuals identified by the anti-evasion task force
 - audits have been initiated resulting in the imposition of fines

Combating tax evasion (ii)

26

- **Big rise in audits** (increase in audits on self employed professionals)
- Disclosure of **list of tax evaders** (4,152 individuals) owing to the state €14.88 bn
- Preparation of 3 year anti-tax evasion plan
- **Institutional arrangements** set up to lead tax offenders to prison

27

Public sector reforms

Public sector reforms

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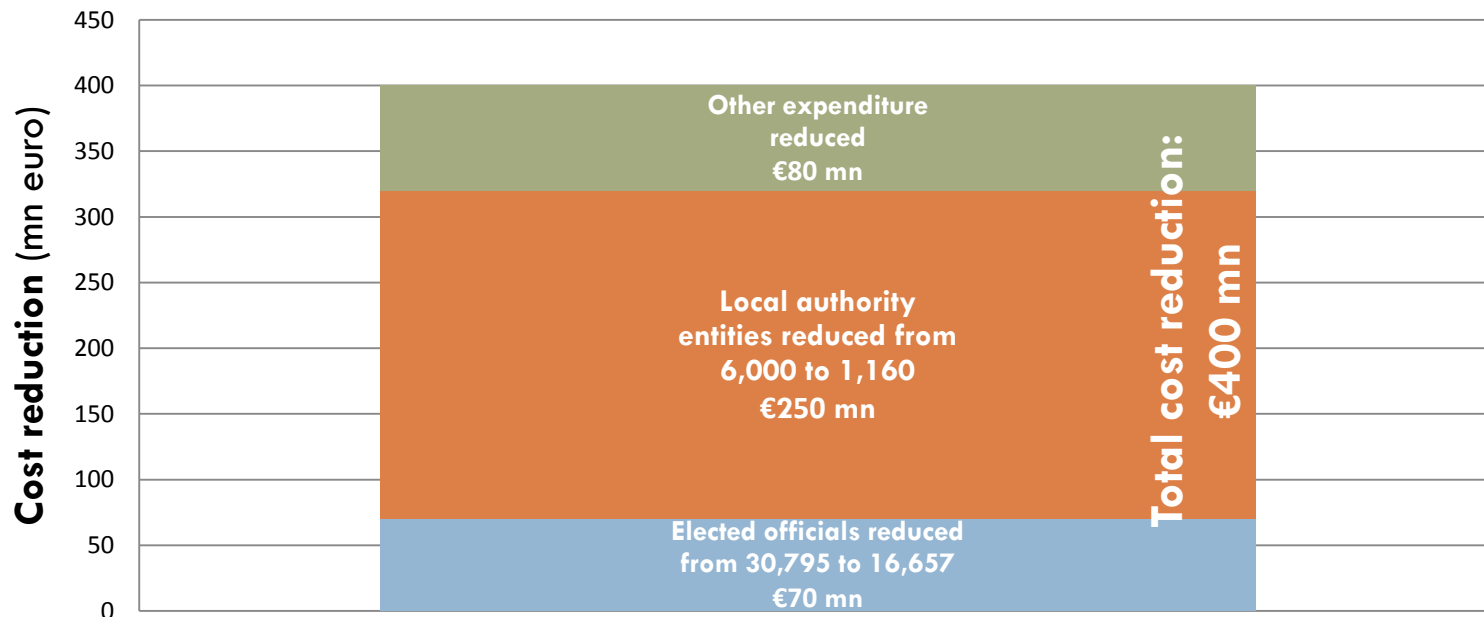
- First ever **census of public servants** (710,530 people on the public payroll in March 2012)
- **Single Payment Authority** established
- **Wage grid** initiated aiming to create simplified uniformed remuneration system
- **EU Taskforce** established to support implementation of structural reforms
- 13 priority areas selected for administrative burden reduction

Local government reform: “Kallikrates plan”

Cost reduction exceeds 400 mn euro

29

- Municipalities reduced from 1,034 to 325
- 53 prefectures replaced by 17 regions
- Decentralized administrations reduced from 13 to 7
- Local authority entities reduced from 6,000 to 1,160
- Decrease of elected officials from 30,795 to 16,657



30

Labour market reforms

Labour market reforms (i)

More flexible working arrangements & wage bargaining

31

- **Part-time working arrangements**, possibility to opt for short-term (intermittent); working on a daily, weekly or other basis
- **Sub-minimum wages** to facilitate **youth employment**
- 20% cut in overtime premia
- Probation period extended to 12 months
- Increase in permissible dismissals from 2% to 5% per month

Labour market reforms (ii)

More flexible working arrangements & wage bargaining

32

- **Rationalized eligibility criteria** for unemployment benefits
- **Reform of the Labour Inspectorate**
- Firms allowed to **opt out from sectoral-level agreements**, in order to adjust wage cost in firms specific conditions

Labour market reforms - 2nd MoU

Improving the functioning of the labour market (February 2012)

33

- ❑ Adjustment/ Reduction of wage floors:
 - ❑ 22% reduction in the minimum wage
 - ❑ 32% reduction in the minimum wage for employees under the age of 25
- ❑ Structural measures to level the playing field in collective bargaining
 - ❑ Shortening the length of collective contracts and reduction of their “after effects” time
 - ❑ Removal of “tenure” (contracts with definite duration defined as expiring upon age limit or retirement) in all existing legacy contracts in all companies
 - ❑ A freeze of “maturity” (referring to all automatic increases in wages dependent on time) until unemployment falls below 10%
 - ❑ Elimination of unilateral recourse to arbitration
- ❑ Decrease of non-wage labor costs:
 - ❑ 2% decline of social contributions, via cuts in non-priority social security spending

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Pension and social security reforms

Pension and social security reforms (i)

Rationalization of pension system

35

- Pension system consolidated towards a **unified new system** for all current and future employees

- Adjustment of retirement age, contributions and benefits:
 - Effective retirement age set to **65 years**, increasing in line with life expectancy

 - **Minimum contributory period** for retirement on a full benefit gradually **raising to 40 years**

 - Pension **benefits** tightly **linked to lifetime contributions**

 - Retirement penalties increased for early pensioners

 - Voluntary exit plans abolished

Pension and social security reforms (ii)

Rationalization of pension system

36

- Census of pensioners: reduced public spending by **€450 mn** for 2011
- Overhaul of the list of difficult and hazardous occupations
- Disability criteria and respective rules revised

Pension and social security reforms (iii)

Unification of social security funds

37

- Pension benefits separated from health benefits
- **Four major social security funds merged** into EOPYY (covering a population of more than 9,000,000)
- Benefits and contributions for insured persons into EOPYY gradually equalizing

38

Liberalization of closed professions

Liberalization of closed professions

39

- Closed professions
 - ▣ Default of opening effective July 2011
 - ▣ Law 3919/2011 has liberalized 108 professions without need of any other formality

- Notaries, lawyers
 - ▣ Fees for notaries reduced by 30%, general appointment qualifications for notaries redefined, changes in the Lawyers profession (commercial communication, law firms, transparency in the functioning of professional bodies)

- Road haulage sector
 - ▣ Removal of quantitative restrictions on road transport operator licenses (no new licenses had been issued since 1971)

Health care system reforms

Cost cutting measures introduced to rationalize health and pharmaceutical spending while maintaining universal access and improving quality of care delivery

Health care system reforms (i)

Changes in pricing and procurement

41

- **New pricing mechanism** launched based on the three EU countries with the lowest prices
- **E-prescription system put in place** to better monitor pharmaceutical spending
 - Compulsory use by doctors contracted to EOPYY
- **Increasing use of generics and off-patents** in public hospitals (about 30% of prototype drugs)
 - Consecutive declines in prices of generics and off-patents
- **E-auctions** carried out at centralized level by Health Procurement Commission with significant cost savings

Health care system reforms (ii)

Improvements in hospital management and expenditure control mechanisms

42

- **Double entry accrual accounting system** in place
- Monitoring of hospital performance (**benchmarking**)
- **Commitment registries** in place for all hospitals
- **ERP programmes** of computerization in place for all hospitals
- **Hospital network** restructuring and rationalization according to region and specialization

43

Ease of doing business

Attracting foreign investments

Ease of doing business

44

- **“One-stop-shop”** - targeting at setting up a business in 1 day, employed by 6,692 new businesses from April 2011 to end-January 2012
- **General Commercial Registry (GEMI)** established
- **Points of Single Contact (PSC)** made operational, providing information on all procedures
- New **Investment Law** since February 2011

➤ According to “*Doing Business-World Bank 2012*”, the “Starting a Business” time was reduced from 19 to 10 days and Greece’s respective ranking was improved by 14 positions

Attracting foreign investments

45

- **Fast track process** for investments through “Invest in Greece”
 - 3 Projects on renewable energy approved and 6 investments (5 in Renewable energy, 1 in Mining) under review
 - The amount secured by letter of credit has decreased from 2% to 0.5%

- **Abolition of the cabotage rules** related to cruise vessels flying non-EU flags
 - Since 2010 the non-EU registered cruise vessels are allowed to home-port at Greek ports

National Strategic Reference Framework

(NSRF 2007-13)

46

- Legislative measures adopted since May 2010 have accelerated the absorption of structural and cohesion funds
 - ▣ Achievement of targets for payment claims in the absorption of EU structural and cohesion funds in 2011

- 181 priority projects agreed with the European Commission, with an estimated budget of €11.5 bn
 - ▣ During the implementation phase, creation of new job positions

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Transparency in public sector

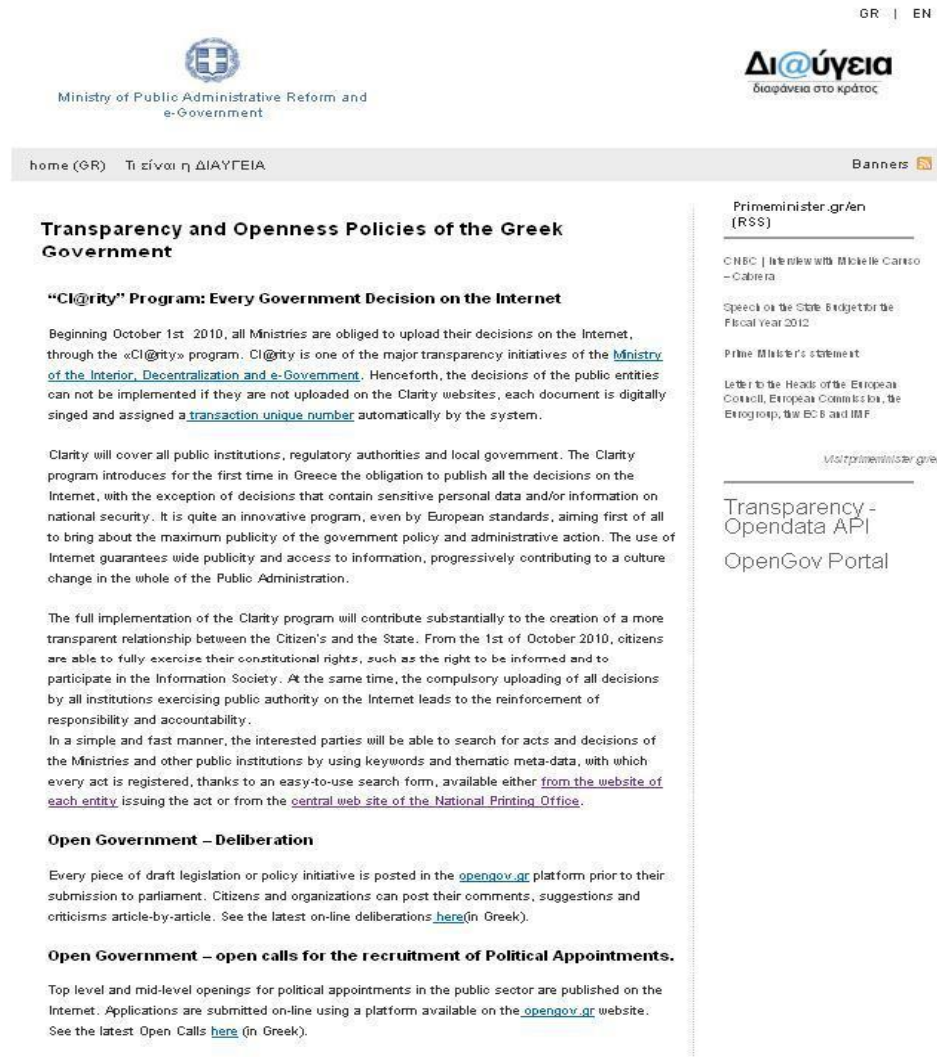
Transparency in public sector expenditure

48

✓ On line publication of public entities decisions:

Since October 2010, all public entities obliged to upload decisions on the Internet, through the «Cl@rity» program (<http://diavgeia.gov.gr/en>)

Decisions cannot be implemented if they are not uploaded on the Clarity website.



The screenshot shows the website of the Ministry of Public Administrative Reform and e-Government. The header includes the ministry's name and the logo of ΔΙΑΥΓΕΙΑ (Transparency in the State). The main content area is titled "Transparency and Openness Policies of the Greek Government" and features a section for the "Cl@rity" program. The text explains that since October 1st, 2010, all ministries are required to upload their decisions online. It details the program's goals, such as increasing transparency and accountability, and provides information on how to access the data through the OpenGov Portal and the OpenData API. The footer includes navigation links for home (GR) and banners.

Ministry of Public Administrative Reform and e-Government

home (GR) Τι είναι η ΔΙΑΥΓΕΙΑ Banners

Transparency and Openness Policies of the Greek Government

“Cl@rity” Program: Every Government Decision on the Internet

Beginning October 1st 2010, all Ministries are obliged to upload their decisions on the Internet, through the «Cl@rity» program. Cl@rity is one of the major transparency initiatives of the [Ministry of the Interior, Decentralization and e-Government](#). Henceforth, the decisions of the public entities can not be implemented if they are not uploaded on the Clarity websites, each document is digitally signed and assigned a [transaction unique number](#) automatically by the system.

Clarity will cover all public institutions, regulatory authorities and local government. The Clarity program introduces for the first time in Greece the obligation to publish all the decisions on the Internet, with the exception of decisions that contain sensitive personal data and/or information on national security. It is quite an innovative program, even by European standards, aiming first of all to bring about the maximum publicity of the government policy and administrative action. The use of Internet guarantees wide publicity and access to information, progressively contributing to a culture change in the whole of the Public Administration.

The full implementation of the Clarity program will contribute substantially to the creation of a more transparent relationship between the Citizen's and the State. From the 1st of October 2010, citizens are able to fully exercise their constitutional rights, such as the right to be informed and to participate in the Information Society. At the same time, the compulsory uploading of all decisions by all institutions exercising public authority on the Internet leads to the reinforcement of responsibility and accountability.

In a simple and fast manner, the interested parties will be able to search for acts and decisions of the Ministries and other public institutions by using keywords and thematic meta-data, with which every act is registered, thanks to an easy-to-use search form, available either [from the website of each entity](#) issuing the act or from the [central web site of the National Printing Office](#).

Open Government – Deliberation

Every piece of draft legislation or policy initiative is posted in the [opengov.gr](#) platform prior to their submission to parliament. Citizens and organizations can post their comments, suggestions and criticisms article-by-article. See the latest on-line deliberations [here](#) (in Greek).

Open Government – open calls for the recruitment of Political Appointments.

Top level and mid-level openings for political appointments in the public sector are published on the Internet. Applications are submitted on-line using a platform available on the [opengov.gr](#) website. See the latest Open Calls [here](#) (in Greek).

Prinemminister.gr/en (RSS)

CNBC | Interview with Michelle Caroso - Cabrera

Speech on the State Budget for the Fiscal Year 2012

Prime Minister's statement

Letter to the Heads of the European Council, European Commission, the European, the ECB and IMF

Ministry of Public Administrative Reform and e-Government

Transparency - OpenData API

OpenGov Portal

Reliable statistical data

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✓ **Independent Statistical Authority:**

- ✓ President and majority of the Board members appointed by a 4/5 Parliament majority
- ✓ Full validation of data by Eurostat following reform
- ✓ Statistical improvement action plan on track (monitored by Steering Committee involving the Eurostat)

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Strengthening fiscal framework

Strengthening fiscal framework

51

- **Medium-term** fiscal framework
- **Expenditure monitoring mechanisms** strengthened through creation of a commitment registry
- **Binding expenditure ceilings** in Ministries

Competitiveness recovering

Positive trade balance of goods and services (excluding oil and ships) for the first time since Greece's Eurozone entry

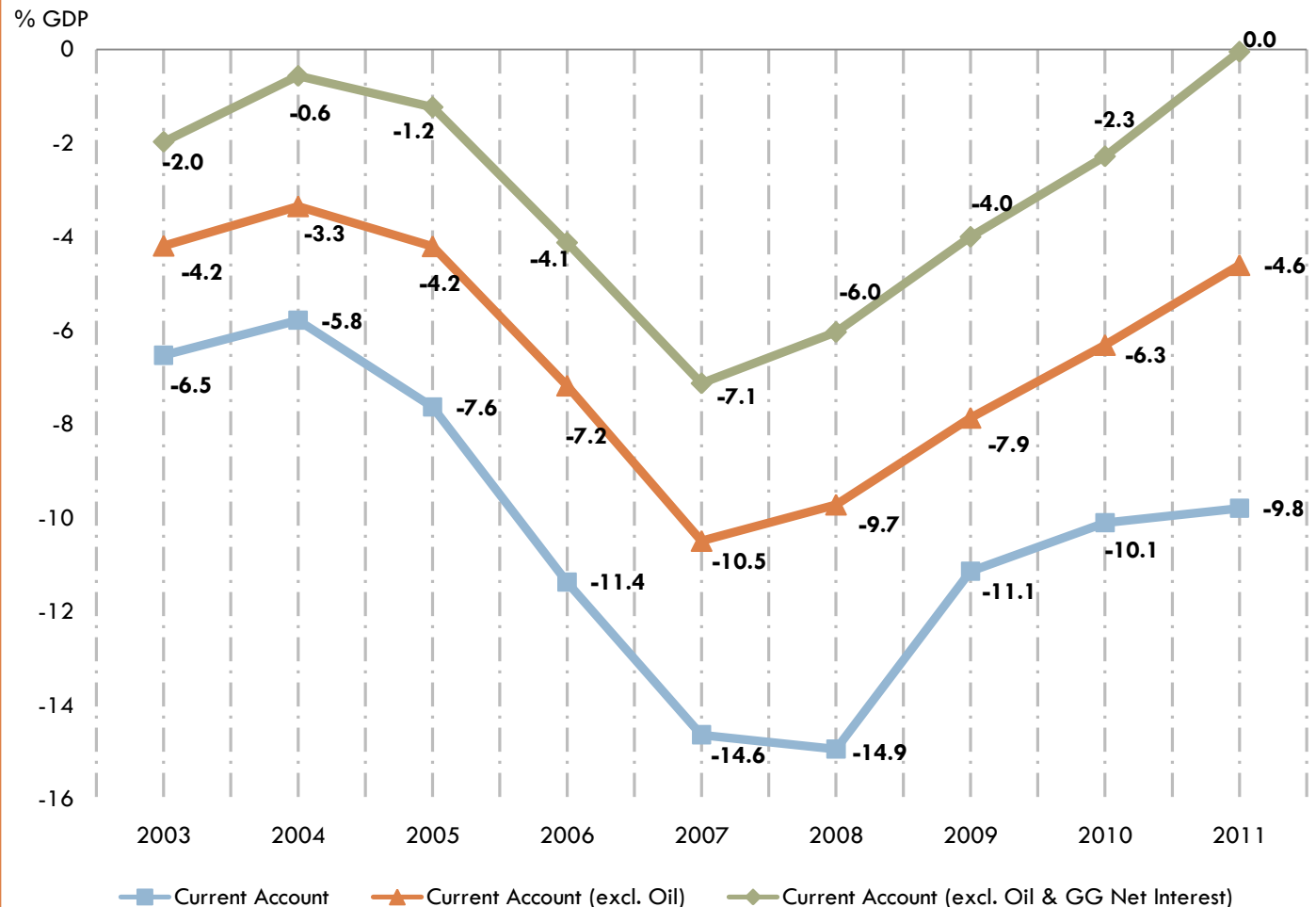
Current Account Deficit declining

53

✓ Current Account Deficit fell from 14.9% GDP in 2008 to 9.8% GDP in 2011

✓ Current Account Deficit (excl. Oil and Gen. Govnt Net Interest) in 2011 was around 0% GDP, down from 6% GDP in 2008

This demonstrates the burden of the debt servicing cost



Source: Bank of Greece

Competitiveness recovering (i)

54

- ✓ **Positive trade balance** of goods and services (excluding oil and ships) for the **first time** since Greece's Eurozone entry

- ✓ The value of exports of goods (excl. oil and ships) in 2011 increased by 17.3% from 2010 to 2011

- ✓ Improvements result from:
 - ✓ gains in competitiveness
 - ✓ declining labour costs
 - ✓ pressure on Greek firms to shift focus from domestic market to exports
 - ✓ Improving regulatory environment for business

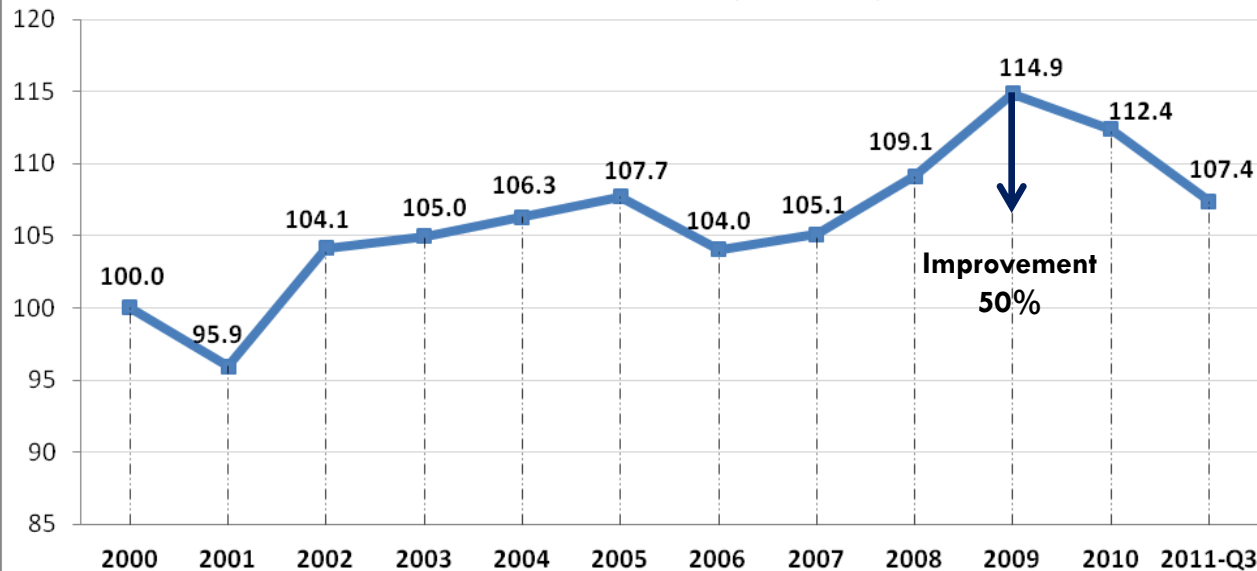
Competitiveness recovering (ii)

55

✓ Within two years, 2010-11, Greece managed to regain over 50% of competitiveness lost during 2000-09

✓ From 2009 to 2011, the Real Effective Exchange Rate (vis-à-vis its 26 EU trade partners), based on Unit Labor Cost, fell from 114.9 to 107.4 index points

Real Effective Exchange Rate (vs rest EU27)
based on Unit Labour Cost (2000=100)



Competitiveness Recovery (2010-11)



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Maximizing the value of Greek state assets

Maximizing the value of Greek state assets

57

✓ The **Hellenic Republic Asset Development Fund (HRADF)**, established in July 2011, is fully operational.

- ✓ Aims to maximize value from development and/or sale of assets
- ✓ Already completed deals with OPAP (extension of concession & license for the operation of 35,000 VLTs) and auctioning of the Mobile Telephony Licences
- ✓ Invitation for submission of expression of Interest for the acquisition of a majority of the share capital of HELLENIKON S.A. published in December 2011
- ✓ The Greek State Lottery Tender proceeds to Phase II with shortlisted candidates

Maximizing the value of Greek state assets

58

□ **Project Helios**

- A renewable energy project aiming to export up to 10 GW of solar energy to EU member-states
- Establishment of a mutual beneficial cooperation scheme between Greece and the remaining 26 EU member-states
- Employment creation, regional development

□ **Privatizations**

- Launching of landmark asset sales:
 - In the first half of 2012: DEPA/DESFA, HELPE, OPAP, EYDAP, EYATH, and IBC (International Broadcasting Center)
 - In the second half of 2012: tenders for the ports, airports and Egnatia Odos motorway

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Judicial system

Judicial system

60

✓ Clearance of the backlog of tax cases:

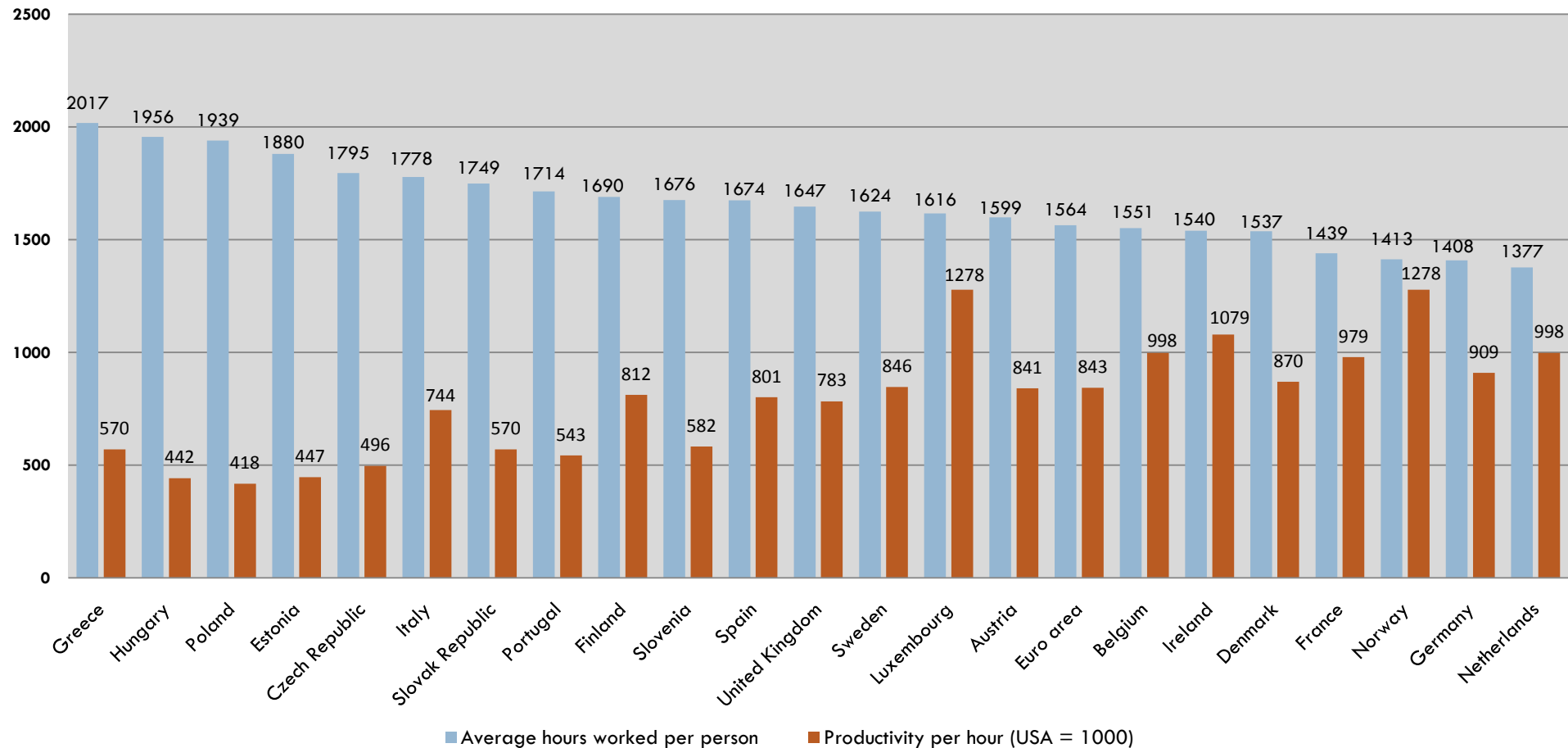
- ✓ Backlog of tax cases in administrative tribunals and administrative courts cleared by at least 15% by December 2011, through the creation of 23 tax-related court units

And by the way...

Greeks are the hardest working in Europe!

62

Annual total hours worked per person and productivity per hour (2010)



■ Average hours worked per person ■ Productivity per hour (USA = 1000)

Greece is Changing