

Plan for technical cooperation in support of structural reforms

European Commission – Greek Authorities

October 2015

I. Introduction

1. Greece has embarked on a major structural reform drive. Whilst over the past years tangible progress has been made in some areas, in other areas reforms have not yet advanced sufficiently. It is crucial that the progress that has been achieved so far is anchored for the future and that further sustainable reforms are pursued in order to put the Greek economy on a sound footing.

2. Through his letter of 20 July 2015 Minister Tsakalotos asked for technical assistance to support a number of important reform areas. The importance of technical support is also recognized in the statement of the Euro Summit of 12 July 2015. The agreement on a new European Stability Mechanism (ESM) programme¹ calls for an agreement by end-September on support and technical assistance between the Greek Authorities and the European Commission. Within the European Commission (EC), the newly-established Structural Reform Support Service (SRSS) has been tasked with coordinating all technical assistance financed from European sources.

3. The present Plan reflects the outcome of discussions and contributions of representatives of the Hellenic Republic and the European Commission, represented by the Structural Reforms Support Service (SRSS).

4. The Parties concur on the need to cooperate extensively with a view to making optimal use of the available resources for support and technical assistance, the aim of which is to have a lasting impact on Greece's capacity to initiate and implement necessary reforms under its full ownership.

¹ <http://www.esm.europa.eu/press/releases/esm-board-of-governors-approves-esm-programme-for-greece.htm>

5. The Plan defines the general context of the cooperation (section II), the guiding principles governing the technical cooperation (section III), the areas to be covered by the technical support (section IV), specific principles regarding working methods (section V), principles related to the envisaged financing of technical support (section VI), and the next steps to be taken (section VII). The annexes to this Plan provide an allocation of the 2015 Article 25 resources² and other funding resources (Annex 1), and an identification of the technical assistance needs not currently covered (Annex 2).

II. Context

6. The financial and economic crisis has exposed fundamental weaknesses in Greece's economic model. Whilst progress has been made over the past five years, further efforts are required to ensure that Greece can prosper within the euro area. Fundamentally this requires a significant strengthening of Greece's capacity to initiate and administer economic policies. Technical support to build this capacity is warranted.

7. On June 17, 2015 the European Commission decided to create a new "Structural Reform Support Service" (SRSS). The SRSS is responsible for leading and coordinating support to Member States, under the coordination of the Vice-President Valdis Dombrovskis, and in close cooperation with other Commission services, other Member States and/or other international organizations and/or other stakeholders. The SRSS is focused on supporting the development and implementation of institutional, administrative and structural reforms conducive to growth, especially in the context of the economic governance process, including through support for an effective and efficient use of European Structural and Investment Funds (ESIF).

² See Article 25 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (hereinafter, Common Provision Regulation). These resources under Article 25 were part of the 2014 TA resources under shared management that were transferred to central EC management; the possibility of committing them has been extended until end of 2015.

8. On 17 July 2015, the Eurogroup asked the Institutions to start the negotiations on a Memorandum of Understanding (hereafter MoU) detailing the conditionality for a financial assistance facility covering the period 2015-18, in accordance with Article 13 of the ESM Treaty. On 11 August 2015, the Greek Authorities and the Institutions reached a staff-level agreement on the MoU for a new stability support programme and euro-area finance ministers endorsed this politically on 14 August 2015. Following the approval by the Board of Governors of the European Stability Mechanism (ESM) for further stability support accompanied by a third economic adjustment programme, the European Commission, acting on behalf of the ESM, signed an MoU with Greece on 19 August 2015³. The MoU states: "The Greek Authorities will by end-September 2015 finalise a medium-term technical assistance plan with the European Commission."

III. Guiding principles for the provision of technical support

9. The Parties concur that the following principles should guide the provision and administration of technical support.

10. National ownership of reforms. Any technical support will aim at strengthening Greece's own capacity to initiate and govern economic policymaking. The Greek Authorities will assume full ownership of any reform for which support is requested.

11. Strong national and European coordination. To ensure effective support, the internal coordination capacity within the Greek administration will be significantly strengthened (see paragraphs 26 to 28). All technical support that is to be financed by EU resources - notably through the centrally-available technical-assistance resources of the ESIF (and earmarked for this purpose) – or provided by European entities and Member States will be closely coordinated between the SRSS and the Greek Authorities.

This plan and the aforementioned coordination are without prejudice to the relevant provisions of the EU and national legal frameworks applicable to the programming and use of the financial resources in question.

12. Maintaining long-term consistency of reforms. Both Parties will endeavour to maintain the long-term consistency of reforms. Where possible, reforms will be based on existing preparatory work, including the work prepared in collaboration with EC services and the Reform Partners. Both Parties agree that implementation is the first priority and that stop-and-go policies need to be avoided.

³

See

http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/pdf/01_mou_20150811_en.pdf

13. **Prioritising support.** Support needs to be well targeted. Priority will be given to technical support for reforms identified as part of EU multilateral surveillance and, in particular, in the MoU and the Greek Growth Strategy. Additional support may be envisaged with mutual consent, subject to the availability of resources.

14. **Sustainability of reforms.** Any technical support to Greece will aim at having a lasting and positive effect on the administrative capacity of the Greek public administration.

15. **Making more effective use of EU resources.** The Parties will extensively work together to ensure a more effective use of EU resources.

16. **Working in partnership.** The Greek Authorities and the SRSS, in close cooperation with the relevant stakeholders, will be working in a spirit of partnership towards the realisation of a common objective: implementing the necessary structural and administrative reforms conducive to the creation of sustainable growth and prosperity for the Greek people.

IV. Areas for support and technical cooperation

17. The Parties concur that support and technical cooperation will be aligned with the reforms in the new MoU and the needs of a forthcoming new Growth Strategy and will thus be targeted on the following broad areas.

18. Delivering **sustainable public finances** that support growth and jobs. This area covers inter alia:

- **Public financial management.** Building on the improvements in the management of budget spending in recent years, further support will aim at building administrative capacity within the General Accounting Office (GAO) and across the ministries and the Hellenic Court of Audit.
- **Revenue administration.** To consolidate and strengthen reforms in the revenue administration, the Parties will cooperate to enhance the institutional set-up of the revenue administration, to ensure that the latter can operate independently of the political level, and that it will be equipped with an adequate skillset to perform its core functions and fight tax evasion, both large scale and small scale in nature.
- **Customs.** Support will be mobilised to modernise the customs administration with the view to ensuring efficient revenue collection while facilitating trade.
- **Tax policy.** The Parties will cooperate to establish a tax policy function within the Ministry of Finance operating on a sound and cooperative basis with the tax administration, and able to provide analytical and evidence-based advice to the political level.

19. **Sustainable social welfare.** Efforts in this area will focus on:

- **Modernising the healthcare system.** Initial efforts have been made to modernize the healthcare system. Building on this, further support will be provided on the planned reform of its design.
- **Welfare review and introduction of a national guaranteed minimum income (GMI) scheme.** Building on the GMI pilots, continuing support will help with the roll-out of the scheme and create a genuine social safety net targeted at those most in need. Technical assistance will support a comprehensive social welfare review with first operational results expected by the end of 2015. The review will serve as a basis for the redesign of a targeted welfare system, including the gradual national roll-out of the GMI scheme.
- **Reform of the public employment service (OAED) and labour market institutions.** Continued and enhanced support from Member States' public employment service experts will complete the re-engineering of the OAED business model, and input from international organisations will support the review of existing labour market institutions and practices.

Faced with high and rising unemployment, competitiveness challenges and the need to correct large macro-economic imbalances, Greece had to quickly improve many aspects of its labour market and to address bottlenecks to potential economic growth. Technical assistance may focus on assisting the Public Employment Service (OAED) to meet its new challenges and to support the Ministry of Labour in implementing major actions such as programmes to combat unemployment, youth guarantee actions, and vocational education and training reforms.

20. **Safeguarding financial stability.** Technical support in this area will focus on:

- **Management of non-performing loans.** The Parties will work together to design a comprehensive strategy to tackle the problem of non-performing loans.
- **Governance arrangements for the Greek financial sector.** Support will be mobilised to enhance the governance arrangements of the Greek financial sector in both the management of the ownership stakes of the banks and also to ensure that banks are run in an independent manner.
- **Alternative sources to finance the economy.** The Parties will cooperate to attract and develop alternative sources of finance for the economy.

21. Enhancing competitiveness and growth. Activities envisaged in this area include:

- **Development of a Greek-owned and Greek-led Growth Strategy.** Support will be mobilized to help the Greek Authorities develop a new growth strategy. Such a strategy should bring together actions to raise productivity, reduce the barriers to investment, improve access to finance and promote actions to strengthen the export capacity of the Greek economy. The strategy should aim at safeguarding adequate provision of public services. It should also address specific sectorial issues, in fields of specific relevance for Greece's overall economic development, such as infrastructure /logistics, tourism or other key sectors.
- **Creating a more business-friendly environment.** This includes activities to improve the process of investment licensing, promote competition and reduce the administrative burden for businesses, and reform of land policy, including the cadastre.
- **Privatisation and better management of State-owned enterprises (SOE's):** The Parties will work together to put in place the regulatory and supervisory structures that are needed in network industries to ensure that markets work efficiently while safeguarding legitimate public policy objectives. Technical assistance will also be mobilised to establish a new Fund that will be responsible for the monetisation of valuable State assets including through privatisation and other means.
As part of this, support for better management of state-owned enterprises (SOEs) and facilitating their privatisation may also be enlisted, including the adoption of good practices from countries that have managed to turn former SOEs into profitable and competitive operations.
- **Making effective use of EU resources.** Under the current programming period (2014-2020), there is a total of EUR 35 billion available for Greece (including all ESIF and agricultural funds). The Parties will closely cooperate to ensure that these resources are put to best use, as they are the main source of public investment in Greece. The SRSS will also facilitate effective cooperation with the EIB/EFSI as well as other international financial institutions (IFIs) with a view to making effective use of potential alternative sources of finance.

22. A modern state and public administration. A key pillar of any sustainable growth strategy for Greece is the modernisation of the public administration at central, regional and local levels. The overall objective is to strengthen the effectiveness and service-orientation of the public administration. Activities in this area include:

- **Updating the public administration action plan.** The Parties agree that the strategy - as set out in the 2014 Action Plan (AP) developed with the support of the Commission services and the French Reform Partner - remains valid. The Parties will closely cooperate to update the action plan and to reinforce it where needed.
- **Reinforcing the capacity for inter-ministerial coordination and project management.** In line with the 2014 public administration AP, the capacity for inter-ministerial coordination and project management will be reinforced with priority, in order to meet the general needs of better planning, monitoring and arbitrage in decision and implementing processes. It will focus in particular on the implementation of the MoU, the current technical cooperation programme, the reform of the public administration, the development of a growth strategy, the implementation of EU funds and compliance with the *acquis communautaire*. The SRSS will assist the Greek Authorities in this endeavour.
- **A competence-based administration that is more responsive to the needs of citizens.** Efforts to create a competence-based administration, which is responsive to the need of citizens, will be stepped up with SRSS support.
- **Rooting out corruption.** Technical assistance will continue to be provided on the implementation of the national anti-corruption strategy, the anti-fraud strategy against EU structural funds the agenda on anti-money-laundering as referred to in the anti-corruption strategy.
- **Making the judiciary system more effective** and providing further assistance on the reform of the judicial system.
- **Strengthen the migration management capacity.**

23. Further areas of technical cooperation may be identified with mutual consent, while ensuring consistency with the overall reform agenda and subject to the availability of resources.

V. Specific principles regarding working methods

24. To facilitate smooth cooperation and effective implementation of support, the Parties concur to observe the following working methods.

25. Coordination of the implementation of this plan. The SRSS will appoint a dedicated senior country coordinator for Greece. The SRSS Country Coordinator will safeguard the consistency of the support programme, ensure a sufficient allocation of resources and monitor progress towards implementation of this plan. The SRSS Country Coordinator will be the key interlocutor for the Secretary General for Coordination (see below).

26. The Prime Minister will task the Secretary General for Coordination with the responsibility for the coordination of all actions needed for the effective implementation of this plan. The Secretary General for Coordination will also be responsible for monitoring of the effective implementation of the support plan, and for initiating corrective actions if needed. The Secretary General for Coordination will be the key interlocutor for the SRSS Country Coordinator.

27. The role of the Greek Ministerial Reform Council will be reinforced to provide the necessary and regular political steer to reforms in Greece and to the implementation of this technical cooperation plan, and the associated operational programme.

28. The Secretary General for Coordination and the SRSS Country Coordinator will be in a regular contact to discuss progress under this plan. They will meet physically at least every 2 months.

29. Selection of technical support providers. Specific technical support providers will be defined on a case-by-case basis. The SRSS is responsible for coordination of support within the EC services, with Member States, International Organisations and other commercial and non-commercial support providers. Subject to the respect of all relevant and applicable EU or national rules, support providers will be decided in close cooperation between the Greek Authorities and the SRSS. With mutual consent, the SRSS may also provide direct support in well-defined areas.

30. Administering individual technical support projects. For each specific technical support action/project, the following elements/strands ((a) to e)) will be included:

a. initial request

- i. Context: explanation of how the request fits with priority setting as defined in paragraph 13 of this plan.
- ii. Main elements of technical assistance (TA): specification of short-medium-long term goals and explanation of how TA will help to "operationalize" them.

b. analysis and finalisation of draft action/project

The Parties concur on the need to proceed to an analysis of the following elements before signing-up to a specific action/project:

- i. The policy context and the mandate of the SRSS, including alignment with reform commitments with EU requirements including the MoU and as part of a new Greek Growth Strategy.
- ii. The organizational capacity of the Parties to carry out the action/project and identification of the teams responsible, including a project manager for each important project.
- iii. The causes and the ensuing remedies proposed for the issues at stake and consistency with the objectives of the reform programme.
- iv. Review of recent work that might have been undertaken to design support and TA activities in the specific area under consideration, inter alia, to avoid unnecessary double work.

c. Entering the support and technical assistance action/project

The Secretary General for Coordination and the SRSS Country Coordinator for Greece will, as a rule, endorse such terms of reference.

d. Implementation

- i. Ownership and Accountability: The Greek government has leadership (in Greece) and full ownership of reforms. The SRSS will support the Greek government by providing support and TA in/for Greece.
- ii. The 3Cs - Collaboration/Consultation/Coordination: The Greek government and the SRSS will appoint respective persons, who are responsible for the management of the project (project managers) and endeavour to provide all adequate support and responses to the partner organization and to consult the relevant services in the partner organization and to ensure appropriate interaction with International Organisations/Member States/other 3rd parties.

- iii. Clear indicators: Agreed indicators for output and activities will be defined for each of the actions/projects to be undertaken.
- iv. Monitoring: Main deadlines will be established and monitoring committees will be set-up for each action/project and responsible project managers on both sides will be identified (see above). The scope of monitoring is to supervise the actions and propose adaptations if necessary.
- v. Reporting procedures will be defined for each action.
- vi. Timeline: short-medium-long term timelines will be identified for each strand of TA. In addition, specific timelines will be agreed for each action.

e. Evaluate

- i. Closing procedures will be defined for each action/project; the Greek Authorities will commit to providing appropriate reports (regular, flash, etc.) on the use made of the outcome of the support and TA actions and evaluation procedures will be defined.
- ii. Evaluations will address the achievement of expected results in the short term (<1YR), medium term (1-2YRS) and long term (>2YRS).

VI. Financing of technical support

31. The Parties concur to finance TA actions/projects through the following three main financial means:

- a. **‘Article 25 resources’:** Article 25 of the "Common Provision Regulations"⁴ states: "on the request of a Member State with temporary budgetary difficulties", a part of the technical assistance resources at the initiative of the Member State (shared management) provided for under ESIF – 2014-2020 - may (in agreement with the Commission) be transferred to technical assistance at the initiative of the Commission (central management) for implementation of measures in relation to the Member State through direct or indirect management (measures to identify, prioritise, and implement structural and administrative reforms in response to economic and social challenges in Member States which meet the conditions set out in Article 24 (1) CPR). For actions to be committed before the end of 2015, the Greek Authorities and the SRSS will use the funds available under the request for use of Article 25 transferred by Greece in 2014, amounting to EUR 15 million.

⁴ Regulation (EU) 1303/2013 – 17/12/2013, Article 25

- b. **ESIF under shared management** with particular focus on the amounts available under the Public Sector Reform Operational Programme (OP) for 2014-2020 which comprises a total envelope (including national co-financing) of EUR 487 million (EUR 260 million ESF for administrative reform and development of human resources, and EUR 227 million ERDF, focused on development of e-government).

- c. Article 58⁵ – Technical Assistance at the initiative of the Commission.

Centrally managed funding can be spent on, amongst other items, "measures to identify, prioritize and implement structural and administrative reforms in response to economic and social challenges in Member States which meet the conditions set out in Article 24(1)." This includes funding transferred through the use of Article 25 (see above), and can be supplemented by funds made available through the annual work plan agreed with the member States.

- d. Article 59 – Technical Assistance of the Member States.

Each Greek Operational Programme has funding for technical assistance, but in the specific context of support to the implementation, management and evaluation of the ESIF. There is also a national Technical Assistance OP, which has the same remit, but at an overall national level.

Additional funding from different sources can also be considered in the future, if the legal frameworks allow for this.

32. The Parties agree to complete by 31 October 2015 all the necessary steps to contract the technical assistance to be financed by the 2014 Article 25 resources. The Parties are in agreement as to the allocation of Article 25 resources as described in Annex 1 to this plan. The SRSS commits to exploring with the relevant Commission services the availability of additional resources to finance requests, which are considered relevant to the implementation of this plan, but which cannot be covered by the current Article 25 resources.

⁵ Regulation (EU) 1303/2013 – Articles 58 and 59

33. For 2016, Greece will make use of the possibility of the Article 25 procedure once again. To this end it will make a request for the transfer of EUR 30 million under the Article 25 procedure by 30/11/2015. The SRSS will assist the Greek Authorities in this process; the SRSS will pay particular attention to the time-scale for making the funds available for contracting through this procedure and the corresponding deadlines in the MoU. The SRSS will also explore with the Greek Authorities a more widespread use of funds from the Public Sector Reform OP in support of meeting MoU commitments. For information, the list of the commitments of the ESM programme which are currently not covered by TA funding is in Annex 2.

The Funds globally committed in 2016 will be available for contracting in 2016 and 2017.

VII. Closing remarks and next steps

34. The Parties concur on the need to implement this plan in a spirit of partnership and cooperation and will make their best efforts to make its implementation a success.

35. In addition to the regular meetings between the SRSS Country Coordinator and the Secretary General for Coordination, the Parties will hold regular high-level meetings to monitor the implementation of this technical cooperation plan.

36. As a next step, the Greek Authorities and the SRSS will prepare by 30/11/2015 an operational support plan for 2016. This operational support plan will identify all the concrete TA needs for 2016, the sources of finance, and the prospective TA providers.

ANNEX 1: ALLOCATION OF THE 2015 ARTICLE 25 AND OTHER FUNDING RESOURCES

Art 25- Projects funded from Greek-managed Structural Funds 2014	Partner
Judicial system reform - support for implementation*	AT - Ministry of Justice
Training programme on anti-corruption*	FI - Ministry of Foreign Affairs
Revenue administration and public financial management (PFM)*	BE - CTB
Implementation of reform of the customs administration*	BE - CTB
Fiscal institutional reform	IMF
Implementation of trade facilitation roadmap (export facilitation)	NL - Ministry of Foreign Affairs
Central administration reform	FR - AFETI
Review of regulatory barriers to competition	OECD
Licensing simplification and doing-business reforms	WB
Labour actions and social dialogue	ILO
Tourism infrastructure	AT - Ministry of Foreign Affairs
Support for the implementation of the Greek energy policy objectives	DE - GIZ
Support to the Greek Ministry of Labour, Social Security and Welfare	IMF
Support for the Greek health-reform programme	WHO

Projects funded from Commission managed structural funds 2014	Partner
Revenue administration and PFM *	BE - CTB
Secretariat General for Coordination document management	DE - GIZ
Licensing simplification and doing-business reforms (preparation of secondary legislation & implementation of the framework law on investment licensing, doing-business indicators)	WB
Social welfare and promotion of inclusion (review of social welfare and social protection spending)	WB

Projects funded from Commission-managed structural funds 2015	Partner
Cadastre	WB

* Contract already signed - implementation started
Projects already concluded are not included in the list

ANNEX 2: ESM PROGRAMME COMMITMENTS WITHOUT FUNDING FOR TECHNICAL ASSISTANCE

The ESM Programme has indicated the use of technical assistance for the delivery of the key deliverables specified. The corresponding source of funding available for technical assistance in these fields has not yet been identified.

Should Greece wish to fund the technical assistance for some of these reforms through Art 25 funding, a request should be submitted to the Commission by 30/11/2015. The references are to the related chapter in the MoU.

- 1. Support for the development of the Growth Strategy
- 2.4.2 Public procurement
- 2.5.2 DRGs or other activity based costing methodology in hospitals
- 2.5.3 National roll-out of the Guaranteed Minimum Income Scheme
- 4.1 Review of labour market institutions
- 4.1 Vocational education and training
- 4.1 Ministry of Labour capacity building
- 4.2 Reduction of administrative burdens
- 4.2 Assessment of the implementation of the reforms in the areas of competition, administrative burden and investment licensing
- 4.2 Opening regulated professions
- 4.2 Export promotion
- 4.2 Land use
- 4.2 Education (apart from Vocational Education and Training at 4.1)
- 4.2 Research and Development
- 4.2 Agriculture
- 4.2 Structural Funds
- 4.3 Water utilities regulation
- 4.3 Transport and logistics
- 4.3 Port regulation
- 4.4 Privatisation
- 5.1 Strengthening local government capacity
- 5.1 Access to the law by the citizens
- 5.3 Anti-corruption

In addition, while technical assistance is not explicitly indicated in the MoU, the Greek Authorities might wish to consider funding Technical Assistance for the following key deliverables:

- 5.1 Restructuring plan for 'OASA - Transport for Athens'
- 5.1 Rationalisation of state-owned enterprises and locally-owned enterprises
- The national risk assessment given in the field of Anti Money Laundering and other actions via the Agenda on Anti Money Laundering (objective 25 of the anti-corruption strategy)

Finally, the projects being contracted in 2015 using Article 25 funding (see annex 1) might not cover the full requirement set out in the MoU. Consideration must also therefore be given to assessing where there might still be gaps and/or where there is a clear need for a follow-on project (for example in the primary healthcare sector).