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In just one year, Greece has achieved the largest fiscal consolidation in the Eurozone, undertaken deep expenditure cuts and tax measures, and implemented far-reaching structural reforms. As a result, the first positive signs of recovery are emerging.

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Fiscal consolidation and the real economy

- **Largest annual fiscal consolidation ever by a Eurozone economy:** General Government deficit reduced by 5 percentage points of GDP in 2010.
- **Cyclically adjusted general government deficit :** reduced by 6.7 percentage points of GDP (from -14.9% in 2009 to -8.2% in 2010).
- **Primary deficit:** reduced by 5.4 percentage points (from 10.3% of GDP to 4.9%).
- **Cyclically adjusted primary deficit :** reduced by 7.2 percentage points (from -9.8% to -2.6%).
- **Primary expenditures:** reduced as a percentage of GDP from 47.6% in 2009 to 44.0% in 2010.
- **Total Revenues:** increased as a percentage of GDP from 37.3% in 2009 to 39.1% in 2010 (second largest increase in EU).
- **The economy is adjusting:** real unit labour costs down by 3.5% in 2010, real wages per head down 7.9%.
- **Exports are growing fast:** 35% average growth in exports per month (y-on-y) between Q4 2010 – Q1 2011: October 2010: 28%; November 2010: 38%; December 2010: 43%; January 2011: 40%; February 2011: 35%; March 2011: 24%.
- **Competitiveness is improving:** current account deficit reduced from 14% in 2009 to 11.8% in 2010.
- **First positive signs of recovery:** Positive real GDP growth of 0.8% q-q in Q1 2011 after 4 quarters of negative growth. Recession is shallowing: from -7,5% in Q4 2010 (y-o-y) to -4,8% in Q1 2011 (y-o-y).

Main expenditure cuts and tax measures

- **Cut in nominal public sector wages** by 15%.
- **Cut in wages of State-owned Enterprise employees** by 30% as well as ceilings imposed on bonuses and wages.
- **Cuts in nominal pensions** in the public and private sector by 10%.
- **Reduction of public sector fixed term contracts:** by 38% or 29,500 people in 2010.
- **Total public sector employment significantly cut:** net reduction of 82,400 people in 2010 or 10% decline of the total.
- **State-owned enterprises:** reduction in deficits by 20% in 2010; additional reduction of 35% in Q1 2011.
- **Education:** 1976 schools closed or merged with net reduction of 2,000 teaching positions.
- **Social spending:** overall reduction of 9.6% or 3.4 billion Euros (1.5% of GDP) on pensions, illness and pharmaceutical benefits in 2010.
- **Excise taxes raised by 33% on fuel**, cigarettes and alcohol.
- **VAT rates increased across the board by 20%** (the 19% rate was raised to 23%; the 11% rate to 13%; the 5.5% rate raised to 6.5%).
- **Special levies on profitable firms, high income individuals and high-value real estate** brought revenues of 1.4 billion Euros. Special levy on profitable firms of 4-10% depending on amount of profits.

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Major reforms adopted

- **Pension reform:** completed ahead of schedule; combination of measures reducing the actuarial deficit to 2060 by 10 percentage points of GDP among the most viable in EU statutory retirement age raised to 65 years (40 years of work required for full pension); pension benefits now linked tightly to lifetime contributions; retirement penalties increased and voluntary exit plans abolished.

- **Labour market reform:** fully symmetric arbitration system, reduction in severance payments by 50%, cut in overtime remuneration by 20%, extesion of probation period from 3 to 12 months, increase of permissible dismissals from 2 to 5% per month; firm level agreements; measures promoting part time employment.

- **Independent Statistical Authority:** President and majority of the Board members appointed by a four-fifths majority by Parliament); full validation of data by Eurostat following reform.

- **Strengthening fiscal management:** medium-term fiscal framework, parliamentary budget office, expenditure monitoring mechanisms strengthened through creation of a commitment registry, binding expenditure ceilings in Ministries.

- **Tax reform:** new management information systems, a special administrative structure to assist reform, shortened judicial procedures for tax cases.

- **Combating tax evasion:** Imposition of fines of 3.4 billion Euros in 2010 (182% increase compared to 2009), big rise in audits (six-fold increase in audits on self-employed professionals) and penalties for undeclared assets (555 yachts seized, 10 million Euros in fines for offshore real estate assets in 2010) and preparation of 3 year anti-tax evasion plan.

- **Local administration reform:** municipalities have been reduced from 1034 to 325, decrease in the existing local authority entities by 4000 (from 6000); decrease in elected officials from 30,795 to 16,657; 30,000 working positions have been abolished in prefectures; fixed term contracts were reduced by 50%.

- **Health sector:** average expenditures reduced by 30% (y-on-y) in Q1 2011 despite increase in patients; 10 hospitals (out of 133) are being merged with moremergers planned in 2011.

- **Online publication** of all decisions involving commitments of funds in the general government sector.

- **Simplification of the start-up of new businesses:** set up in 1 day from 19 days.

- **"Fast track" process** for large investments legislated and implemented.

- **Liberalization of road haulage sector:** unlimited licenses with fees gradually declining to zero between January 2011 and June 2012.

- **Liberalization of closed professions:** the new Law imposes default of opening effective July 1, 2011 and covers over 150 professions; reversal of burden of proof for retaining restrictions; need for special decrees that fully specify the need and way of keeping restrictions before July.

- **Restructuring of the railway (OSE) and urban transport sectors:** 150 million Euro savings in 2010, 400 million Euros savings projected in 2011.

- **Abolition of cabotage** restriction in order to boost cruise tourism.