

Enhanced Governance and Control Mechanisms

To foster credibility a strictly rule-based budget policy (by voluntary self-binding) should be adopted. Deviations from program goals are to be balanced through internal adjustments. The following prior actions would have to be legally implemented before disbursement of the next tranche:

- **Externally managed trust account**

The trust account adopted at the Eurogroup of Feb.20th is strengthened to ensure that programme funds are used for debt service only, secured by setting up an international management (by the ECB for instance). As agreed in February, debt is serviced directly from this trust account. EFSF and IMF disburse after implementation of the agreed structural and fiscal reforms directly to the trust account and the Greek contribution to debt service defined in the MoU would also be paid into the trust account.

- **Earmarking of revenues**

A dedicated receipt (such as part of VAT income) in the volume of the requested GRC primary budget surplus could be transferred monthly to the trust account (as earmarking of GRC contribution to debt service). The volume of the primary surplus is to be defined in the MoU. The trust account and the earmarking of revenue secure the delivery of the primary surplus and therefore the GRC contribution to the debt service. A GRC non-achievement of the required primary surplus would be balanced by a reduction in primary spending or increase of primary income. Should further budget gaps occur during the term of the programme GRC would fill the gap by its own means.

- **Automatic Spending Cuts**

GRC establishes a simple rule for public expenditure. With the agreement of the Troika, cash deficits (deviations from budget plan) automatically lead to spending cuts equally divided through all spending programs (according to their budget share).

- **External supervision of public borrowing**

An external institution like the EU-Commission could be asked to approve any form of additional loans in writing (along the lines of supervision of regional or local authorities by some federal states).

- **Complementary external assistance**

More intense, compulsory employment of external technical assistance for, among others, administrative capacity building, including for tax collection, corruption reduction, statistics, growth-enhancing investment strategies, use of structural funds, privatization process would further support the implementation of the programme.

To achieve this goal, the attributions of the Task Force for Greece would be enhanced, so that the TFG would be in charge of:

(i) in liaison with the Greek authorities, identifying key positions within the Greek administration for appropriate adjustment program execution and monitoring, especially regarding financial flows (spending and revenue), and recruiting and sending European experts or Greek civil servants (they would be granted the same status of European experts to limit their dependence to the political power) in those key positions regarding the compliance of the Troika program, in replacement of Greek officials.

(ii) coordinating the running of the technical assistance of the different actors: already existing bilateral assistance, but also new providers such as the World Bank, the EBRD, the OECD, etc., whose interventions are highly desirable.

- **Growth-enhancing measures**

In order to improve the acceptability of the programme by the Greeks, those measures of control-enforcement could be complemented by growth and jobs-enhancing measures. The determining factor for investment and growth will be the rebuilding of confidence. In the short run, growth and jobs perspectives could be strengthened by the release of some structural funds dedicated to the 181 projects of high priority. The project of a public bank for investment currently under consideration could also be accelerated to support SMEs and infrastructure projects.