

**HELLENIC REPUBLIC  
MINISTRY OF ECONOMY AND FINANCE  
GENERAL ACCOUNTING OFFICE**

**GOVERNMENT BUDGET REPORT  
2004**

**Executive Summary**



**ATHENS, FEBRUARY 2004**

**I. Overview of the Greek economy****Prospects for 2004**

During the course of the previous decade, Greece achieved nominal convergence and secured its position in the eurozone. This development was based on robust fiscal consolidation, rapid deceleration of inflation and falling interest rates. At the same time, Greece went a long way towards real convergence, with growth rates exceeding the EU average since 1996 and the fastest rate of growth in labour productivity among EU countries.

In 2003 Greece tops the list of EU countries as far as real GDP growth is concerned, with a solid 4.0% against a background of persistently slow growth in Europe. However, economic activity, which has been boosted by private and public investments, mainly through the preparation for the Olympic Games and the third Community Support Framework is very likely to remain at its potential level after 2004.

From the above favourable economic conditions the general government deficit decreased from 1.9% of GDP in 2000 to 1.2% of GDP in 2002. In 2003 this deficit stabilised at 1.4% of GDP. As regards the general government debt as a percent of GDP followed a declining trend. It reached 104.7% in 2002 from 106.2% in 2000 and further declined to 101.7% of GDP in 2003.

Apart from fiscal consolidation and strong investment programs, the performance of the Greek economy since 1996 was based on structural reforms programme that led to a significant acceleration of potential GDP growth. This large-scale structural reforms program in place since 1997 included the privatisation of public enterprises and opening markets to competition. Banking, telecommunications, energy and sea transports are prime examples of sectors that have been transformed as a result.

The Greek economy is expected to grow by 4.2% in 2004 from 4.0% in 2003. Investments will remain the main contributing factor to the GDP growth and is expected to further increase by 7.0%, whereas private sector investments are estimated to increase by 7.5%. The rapid increase in the profitability of Greek private enterprises observed in recent years, which is above the euro zone average levels, has contributed to the increase in investment. Private consumption will increase by 3.2% and imports of goods and services by 4.7% accordingly. Exports of goods and services are estimated to increase by 6.7% and the current account deficit will reach 5.1% of GDP. Employment is expected to increase by 1.7% and unemployment rate will be reduced even more to 8.0%. CPI is expected to decelerate to 3.0%.

The general government deficit will be reduced to 1.2% of GDP and the debt/GDP ratio is estimated to fall by 3.2 percentage points to 98.5% of GDP.

**Medium Term Fiscal Prospects (2005-2006)**

Economic policy in the medium term is oriented towards sustaining macroeconomic stability and pursuing real convergence with the EU average per capital income.

Hence, for the period 2005-2006, GDP growth is estimated to reach 4% in 2005 and 3.8% in 2006. High growth rates in productivity are expected to improve competitiveness and foreign balance.

For the same period, general government revenues are estimated to increase by 6.2%, while current account expenditures are estimated to fall to 5.6% in 2005 from 7.5% in 2004 reaching 5.3% in 2006. Investment

expenditure is expected to increase by 8.2% in 2005 and by 7% in 2006.

General government deficit is forecasted to be reached to 0.5% of GDP in 2005, while the general government fiscal position is estimated to be balanced in 2006.

The general government balance improvement in combination with the primary surplus increase to 5.3% of GDP and the restriction of other factors that affect debt are estimated to be the main contributing factors to debt reduction. Debt is expected to decline to 90.5% of GDP in 2006 from 98.5% in 2004.

## II. The implementation of 2003 Government budget

The 2003 central government budget aimed at further continuing fiscal stability by constraining expenditure growth. Latest estimates suggest minimal deviation between actual and budgeted figures, despite the adverse global economic environment.

The deficit of the central government is expected to be 4.1 % of GDP instead of the initial estimate of 3.5%, due to the expenditure for both the completion of Olympic games projects and the compensation for damages caused by natural disasters.

The general government deficit is expected to reach 1.4% of GDP against 0.9% that was the budget forecast.

The 2003 budget had set out the following basic objectives, which mostly were attained:

- to finance the social system reform,

- to financially support high - priority social sectors such as health, education, employment and social welfare,

- to improve the quality of public services,

- to upgrade and strengthen the mechanisms to constrain tax evasion, improve and simplify the tax system and encourage further usage of electronical means by both enterprises and tax service.

### Ordinary budget

#### *Revenue*

The ordinary budget revenue is expected to reach € 41,050 million showing an increase of 5.1% as compared to the 2002 outturn, achieving the 2003 budget target.

The high growth rates as well as the reduction of tax evasion contributed to the satisfactory performance of ordinary budget revenue.

Direct tax revenue is expected to reach €15,457 million presenting an increase of 4.3% as compared to the 2002 outturn.

Revenue from tax arrears is expected to exceed the budget forecast by €280 million due to settlements that refer to the 1993-2001 period.

Revenue from indirect taxes is expected to reach € 22,608 million indicating a rise of 7.7% in 2003, which is 2.6% higher than the budget forecast.

Revenue from value added tax shows a positive trend and is estimated to rise to € 13,280 million, an increase of 10.8% compared to the 2002 outturn.

### *Expenditure*

Ordinary budget expenditure (excluding amortization payments) is estimated to increase by 6.4% and reach € 39,810 million, exceeding budget forecast by € 424 million due to an estimated overrun of primary expenditure by € 474 million, and lower interest payments by € 50 million.

Expenditure concerning salaries and pensions is estimated to reach € 15,236 million higher by € 106 million than the budget forecast. This is mainly due to recruitment for both the education and the security and armed forces sector.

Grants to social security funds and medical care expenditure are estimated to be € 5,694 million, € 134 million higher than the budget forecast owing to the increased needs for medical care.

Operating expenditure is estimated to be € 6,144 million, an overrun of € 47 million, due to:

- the increased reimbursements to EU,
- the increased consumption expenditure that arose during the year and was covered by special revenue funds.

### **Public Investment Program (PIP)**

The 2003 Public Investment Program (PIP) ensured smooth financing for both the projects of the 3<sup>rd</sup> CSF and those financed from national resources. The investment projects of the Olympic Games were included in total in the 2003 PIP, comprising 21% of its total financing. The amount of € 8,600 million is estimated to be absorbed by PIP of which € 4,620 million will be granted to projects co-financed by the E.U and € 3,980 million to projects financed exclusively from national resources.

### *Preparation for the 2004 Olympic Games*

The preparation for the 2004 Olympiad is an important and ambitious public investment, supporting the actual modernisation of the infrastructures of the economy and the country as a whole.

It is estimated that 95% of the infrastructures currently in construction are of major post-Olympiad utility, relates to the needs of local societies and are expected to contribute to national growth for many years after 2004.

This process also offers the opportunity to develop new working methods, acquire know-how in cutting edge fields, strengthen productive sectors of the economy and generate employment for the years to come.

## **III. The 2004 Government Budget**

### **1. The targets of economic policy**

The economic policy in 2004, within the framework of fiscal stability, aims at:

- the maintenance of high GDP growth,
- supporting economic activity and the reinforcement of competitiveness,
- the improvement of labour productivity and connection of wages to productivity,
- continuing structural reforms with fastest pace,
- the creation of a better investment environment,
- the promotion of employment mobility and the reduction of labour market rigidities,
- the further liberalisation of product market,
- the increase of employment.

Particularly, the targets of 2004 budget include:

- the restriction of the general government deficit,
  - the further reduction of public debt ,
  - the continuation of structural reforms to promote efficient allocation of resources and growth,
- the supporting low - income groups.

The policies and reforms undertaken for the achievement of the targets given above, refer to the continuation and the promotion of the following measures:

- upgrading of mechanisms to curtail tax evasion,
- upgrading, improvement and simplification of tax system,
- increasing the effectiveness of the expenditure control system and thus improving the efficiency of public governance,
- backing those sectors of the economy that contribute most to the national economic development,
- adopting modern techniques of public debt management,
- improving the public services.

The general government deficit is expected to reach 1.2% of GDP in 2004, against 1.4% in 2003. This improvement is due to the restriction of operational expenditure and the reduction of interest payments.

## **2. The 2004 Central Government Budget**

Net total revenue of government budget is expected to increase by €3,335 million or by 7.9% and be equal to 27.8% of GDP in 2004 against 27.7% in 2003 and 28% of GDP in 2002.

Total expenditure (excluding amortization) is estimated to increase by 7%, while the central government deficit is estimated to fall to 3.8% of GDP in 2004 from 4.1% in 2003.

### **a. Ordinary Budget**

#### *Revenue*

Total ordinary revenue is estimated to reach €43,620 million facing an increase of 6.3% compared to 2003 figures.

The forecast of the 2004 ordinary budget aggregates are based on the continuation of a high growth rate of the Greek economy.

Direct tax revenues are estimated to reach €16,385 million and increase by 6.0%, while indirect tax revenues are expected to increase by 7.7% and reach € 24,341 million.

#### *Tax Policy*

The tax policy for 2004 includes measures aiming at a more equitable distribution of the tax burden, stimulation of growth and attraction of new investments. The main characteristics of the new policy are:

### **I. Tax motivation for investments**

The new investment law gives the enterprises the opportunity to create tax-free reserves, in order to finance new investments. The tax-free reserves are going to reach up to 35% of the enterprises profits, for a period of five years.

All medium sized companies and industry are provided with petrol in low cost, by decreasing the oil excise duty to 120 euros/kilolitre, from the previous price of 245 euros/kilolitre.

## II. Introduction of an objective tax control system.

The new tax control system introduces an objective way to select the enterprises to be controlled by the implementation of a point system according to:

- tax and customs violations,
- financial and miscellaneous data of the enterprises,
- the size of the enterprises,
- the field of activation,
- the geographic allocation of the enterprises,
- the results of the controls in tax and customs data of the enterprises.

## III. Support to farmers

- The excise duty for the oil used in agriculture was reduced from € 245 per kilolitre, to € 21, thus rendering Greece the country with the lowest level of taxation in oil, after Belgium and Luxembourg (showing a zero rate).
- It is intended to relieve farmers from real estate transfer tax for the purchases of agricultural land.
- It is going to be proposed to the EU to reduce the VAT for the purchase of agricultural machinery from 18% to 8%.
- Some tax releases are implemented on small sized shops, operating in villages with less than 1,000 habitants and whose annual profit is less than 10,000 euros.

## IV. Tax reduction for cars and bicycles

- The registration tax on cars has been reduced from 7%-88% to 5%-50% depending on their cylinder capacity.
- Whereas tax on motorcycles of 125 c.c. capacity has been abolished.
- A proposal has been made to the EU to reduce the VAT for the motorcycles' helmets from 18% to 8%.
- Registration tax on cars up to 2000 c.c. is fully abolished for families having at

least four children. Furthermore, for these families, there is a 50% release on cars of more than 2000 c.c..

- Presumption of income for the ownership of a car has been abolished, with an exception for cars whose manufacture value is over € 50,000.

## *Expenditure*

Total expenditure (excluding amortization) is expected to reach € 42,550 million in 2004 against € 39,810 million in 2003 an increase by 6.9%, substantially lower than the increase of nominal GDP, indicating the continuation of attempts towards the rationalization of fiscal management.

Primary expenditure is expected to increase by 7.7% against 7.6% in 2003, while as a percentage of GDP will remain at 20%.

Interest payments are estimated to fall to 5.9% of GDP from 6.5% and 6.1% in 2002 and 2003, respectively. These reductions will free resources for implementing government's social and development plans.

## *Public wages and pensions*

The Greek Parliament adopted the adjusted wage law that implements the outcome of the collective bargaining process between the government and the unions of the public sector employees. The new law put emphasis on simplifying the system, correcting inefficiencies, which result from yearly interventions and ad hoc modifications. Furthermore the new system connects special allowances to education and knowledge.

Expenditures for wages and pensions are estimated to increase by 7,7% due to:

- an increase in wages of civil servants, primarily of those employed in social sensitive sectors (health, education, etc.),

- an increase of public sector pensions,
- an increase of the complementary allowance for pensions,
- new hiring and transfers.

***Grants to social security funds and medical care***

Social insurance expenditure is estimated to reach € 6,223 million, which is substantially higher by 9.3% than the 2003 estimation.

Grants to social security funds are estimated to increase by 12.7% in 2004 –representing the 16.6% of the primary expenditure in total- against 15.9% in 2003 and 13.9% in 2002. These increases indicate the emphasis given to strengthening social policy, through e.g.:

- an increase of 20% in the grant of OGA (Farmer’s Insurance Fund ) to finance the increase of farmers’ pensions by € 30 per month,
- an increase by € 30 per month of the complementary allowance for pensioners
- an increase in the grant of IKA (Social Insurance Fund),
- an increase in pensions of seamen.

***Operating Expenditure***

Operating expenditure increased by 7.0%, despite the fact that consumption expenditure is reduced by 2.8%. This increase indicates the priority given to financing social policy and development projects, such as:

- an increase of the allowances to disabled people,
- an increase of the unemployment benefits,
- an increase in agricultural subsidies to disadvantaged regions,
- financial support of students who study away from their homes,

- the expenditure for the pending elections,
- incentives for moving to disadvantaged regions,
- an increase in expenditures for the Olympic Games’ preparation.

***Interest rate payments***

Interest rate payments are estimated to decline to 5.9% of GDP in 2004.

**b. Public Investment Program**

The payments of the public investment program are estimated to increase by 7.6% and reach € 9,250 million- covering the 5.6% of GDP- of which € 5,300 million is distributed among projects co-financed from the structural funds of the E.U and € 3,950 million among projects financed from national resources. It should be mentioned that € 1,400 million, which is the estimated for financing the projects of the Olympic Games come from national resources and which makes up the 15.1% of the total amount of payments for PIP projects (including the payments for both national and co-financed projects).

**V. Privatization**

The government successfully undertook the design and implementation of an ambitious privatisation programme. In particular, privatisation completed in 2003 include:

- the sale of 16.65% of the shares of the Hellenic Petroleum (ELPE) to a strategic partner and the contemporaneous initiation of the merger with Petrola,
- the transfer of 49% of the shares of the Casino of Parnitha to a strategic partner,

- an additional public offering of 24.61% of the shares of Football Prognostics Organisation (OPAP),
- the public offering of 25.5% of the Piraeus Port Authority and its listing to the stock exchange,
- the privatisation of AGNO by selling 99.99% of its shares,
- the privatisation of Duty Free Shops by selling 40% of its shares,
- the privatisation of Hellenic Stock Exchange Ltd (EXAE) through the selling of its 33.4% share to the individual investors,
- an offering of 11% of the shares of the National Bank of Greece to private placement,
- an additional offering of 15.7% of the shares of the Public Power.

Revenues raised in 2003 are about € 2,678 million.

The privatisation envisioned for the forthcoming period include:

- the transfer of the 35% of the shares of Public Natural Gas Corporation (DEPA) to a strategic partner,
- an additional offering of 25% of the shares of Hellenic Tourist Properties and its listing to the Athens Stock Exchange (ASE),
- the listing of Hellenic Post Services to the ASE with the 25% of its shares,
- the transfer of the 20% of the shares of Public Waterworks Organization to a strategic partner,
- the transfer of other non-financial sector participating shareholding interests held by the Agricultural Bank of Greece,
- the potential partial initial public offering of the Hellenic Postal Depositary House.

In 2004, proceeds from privatizations and structural reform plans are expected to reach € 3,000 million.

## VI. Public Debt

The debt to GDP ratio is put on a downward trend benefiting from the high growth rates and the consistency of the Greek fiscal policy as well as from the use of modern debt management techniques that exploit the favorable international conditions (low interest rates, increased euro/dollar parity) and that have contributed further to the restructuring of debt and the weakening of the dynamics of debt increase.

Furthermore, apart from reducing and restructuring of debt, the following were also pursued:

- Increased transparency by releasing Greek debt data quarterly as a result of Greece's participation in the IMF's Special Data Dissemination Standard (SDDS) system.
- Introduction of new financial instruments (e.g. Greek euro index linked bond, linked to the harmonized index of consumer prices (HICP), establishment of a Euro Commercial Paper Program).
- Implementation of retail investor oriented policies for attracting private investors (by issuing series of special saving securities and by accommodating direct access to primary market).
- Further improvement of the secondary market in terms of efficiency, speed and transparency through the revision of the Primary Dealer's Regulation.

### Composition of central and general government debt

The general government debt as a percentage of GDP is expected to fall to 98.5% in 2004 from 101.7% and 104.7% in

2003 and 2002 respectively and reach € 161,556 million.

The debt of central government is estimated to reach € 183,205 million in 2004 (111.8% of GDP) compared to a forecast of € 175.439 million in 2003 (115.3% of GDP). The nominal increase of debt is mainly due to the borrowing requirements of the government budget and the implementation of extended military procurements.

The euro denominated central government debt is estimated to increase to 97.9% in 2003 from 97.2% in 2002, thus reducing even more the exchange rate risk and further stabilizing the central government debt in euro terms.

As far as the Greek government securities concerned, the share of short-term government securities (treasury bills) is estimated to fall to 0.6% in end 2003 against 1% in 2002 while the share of medium-and-long term government bonds reached 79.8%. The residual maturity of the outstanding government securities (GG Bonds and T-Bills only) was 6.2 years on 30/09/2003 compared to 4.5 years on 31/12/1999. The fixed rate bonds account for the 93.3% of the total volume of securities while the floating rate bonds for 6% on 30/9/2003 against 84.0% and 16% respectively on 31/12/2002. On 30/6/03, the duration and modified duration reached 4.9 and 4.7 respectively, approaching the euro area average.

Interest payments are estimated to be € 9,750 million in 2004 (5.9% of GDP) compared to € 9,350 million in 2003 (6.1% of GDP).

The non-euro currency debt accounts only for 2.1% (end 2003) against 2,8% in 2002 of the total debt, as a result of the cross currency swap activity of the last 3 years. It consists of USD (57.8%), CHF (22.2%), JPY (17.2%) and GBP (2.8%).

The outstanding military debt is estimated to reach € 6,464 million (4.2% of GDP) by the end of 2003, compared to € 6,735 million in 2002 (4.8% of GDP).

### The Greek government securities markets

The main features of the Greek government security markets during the first 9 months of 2003, was:

- an increased volume of transactions in both the Electronic Secondary Market (HDAT) and the EuroMTS,
- further convergence of the Greek and German benchmark bonds, as illustrated by the decrease of the relevant yield's spread of the 10-year benchmark bonds (12 basis points).

### Primary market

The main target of 2003 issuing policy has been the establishment of new benchmark bonds (3-, 5- and 10-year bonds) by following a front-loading issuance pattern.

Primary market issuance in 2003 was conducted through (a) syndication in the case of the issuance of the 10- and 5-year benchmark bonds (due 20/5/2013 and 18/04/2008 respectively) and (b) auction in the case of the issuance of the 3-year bond (due 21/6/2006), the reopening of the 3-, 5-, 10-, 20-year benchmark bonds and 13-, 26-, 52-weeks T-Bills.

In 2003:

- the first Greek euro-denominated inflation-linked bond with the harmonized index of consumer prices (HICP) (due in 25/7/23) was issued in March 2003 and was mainly absorbed by foreign investors (94%),

- 1-year Special Saving Certificates were issued for the first time via public subscription, into account the shape of the yield curve. The same policy will continue to hold in 2004.
- the Euro Commercial Paper (ECP), a flexible instrument for short-term cash management, was established in April 2003.

### **Secondary market**

The measures undertaken during the last three years led to an increased volume of transactions in the Electronic Secondary Market (HDAT). The average monthly turnover during the first 9 months of 2003 reached € 55 billion compared to € 46.3 billion in the same period of 2002. The majority of trades concerns fixed interest rate bonds. Domestic Primary Dealers have absorbed 40.0% of the primary issuance volume and 43.6% of the turnover in HDAT.

At the same time, extended buy-backs of high coupon bonds and non-tradable debt were conducted, aiming at the retirement of such issues, the refinancing of debt at a lower cost and the reduction of interest payments. During the first ten months of 2003, the Ministry of Economy and Finance bought back bonds of nominal value € 938 billion by OTC operations.

### **Borrowing objectives and debt management policy**

The borrowing in 2004 will continue to focus on the 3, 5, 10 and 20 year issues, thus creating more liquidity in the basic segments of the yield curve. These issues will account for 85% of the total borrowing, while the rest 15% will include issues of treasury bills and strategic issues that will cover existing investment needs.

The main target of debt management during the last two years has been to reduce interest payments and manage the duration taking

**Central Government Budget for 2004  
(€ million)**

	Outturn 2002	Budget. 2003	Estimate 2003	Budget 2004	Change %		
					2003 in progress	03/02	04/03
					(3:2)	(3:1)	(4:3)
	(1)	(2)	(3)	(4)			
<b>ORDINARY BUDGET</b>							
<b>REVENUE</b>	39,048	41,050	41,050	43,620	0.0	5.1	6.3
Tax revenue	35,802	37,545	38,065	40,726	1.4	6.3	7.0
Non-tax revenue and EU	2,777	3,205	2,685	2,494	-16.2	-3.3	-7.1
Non recurring revenue	469	300	300	400	0.0	-36.0	33.3
Tax refunds (-)	1,967	2,150	2,050	2,200	-4.7	4.2	7.3
<b>Net revenue</b>	<b>37,081</b>	<b>38,900</b>	<b>39,000</b>	<b>41,420</b>	<b>0.3</b>	<b>5.2</b>	<b>6.2</b>
<b>PRIMARY EXPENDITURE</b>	<b>28,297</b>	<b>29,986</b>	<b>30,460</b>	<b>32,800</b>	<b>1.6</b>	<b>7.6</b>	<b>7.7</b>
Salaries and pensions	14,533	15,130	15,236	16,404	0.7	4.8	7.7
Wages	8,642	9,077	9,147	9,854	0.8	5.8	7.7
Grants to social security funds and medical care	4,747	5,560	5,694	6,223	2.4	19.9	9.3
Operating expenditure	5,967	6,097	6,144	6,573	0.8	3.0	7.0
Returned resources	3,051	3,199	3,385	3,600	5.8	11.0	6.4
Primary surplus	8,784	11,065	10,590	10,820	-4.3	20.6	2.2
<b>Interest payments</b>	<b>9,134</b>	<b>9,400</b>	<b>9,350</b>	<b>9,750</b>	<b>-0.5</b>	<b>2.4</b>	<b>4.3</b>
<b>TOTAL EXPENDITURE</b>	<b>37,431</b>	<b>39,385</b>	<b>39,810</b>	<b>42,550</b>	<b>1.1</b>	<b>6.4</b>	<b>6.9</b>
Deficit	-350	-485	-810	-1,130	67.0	131.4	39.5
Amortization	20,860	21,626	22,338	19,844	3.3	7.1	-11.2
Advanced payments for army equipment projects	151		181	201		19.9	11.0
<b>PUBLIC INVESTMENT PROGRAMME</b>							
<b>REVENUE</b>	<b>2,557</b>	<b>4,100</b>	<b>3,205</b>	<b>4,120</b>	<b>-21.8</b>	<b>25.3</b>	<b>28.5</b>
Inflows from EU	2,543	4,000	2,845	4,020	-28.9	11.9	41.3
Other	14	100	360	100			
<b>EXPENDITURE</b>	<b>7,014</b>	<b>8,918</b>	<b>8,600</b>	<b>9,250</b>	<b>-3.6</b>	<b>22.6</b>	<b>7.6</b>
Co-financed expenditure	3,883	5,770	4,620	5,300	-19.9	19.0	14.7
National investment programme and expenditure for Olympic games infrastructure	3,131	3,148	3,740	3,950	18.8	19.5	5.6
Exceptional expenditure for natural disasters			240				
<b>DEFICIT</b>	<b>-4,457</b>	<b>-4,818</b>	<b>-5,395</b>	<b>-5,130</b>	<b>12.0</b>	<b>21.0</b>	<b>-4.9</b>
<b>CENTRAL GOVERNMENT BUDGET</b>							
Net Revenue	39,638	43,000	42,205	45,540	-1.8	6.5	7.9
Expenditure	44,445	48,303	48,410	51,800	0.2	8.9	7.0
<b>CENTRAL GOVERNMENT DEFICIT</b>	<b>-4,807</b>	<b>-5,303</b>	<b>-6,205</b>	<b>-6,260</b>	<b>17.0</b>	<b>29.1</b>	<b>0.9</b>
Surplus of public entities and other adjustments (ESA 95)	3,144	3,935	4,015	4,230	2.0	27.7	5.4
<b>General Government balance</b>	<b>-1,663</b>	<b>-1,368</b>	<b>-2,190</b>	<b>-2,030</b>	<b>60.1</b>	<b>31.7</b>	<b>-7.3</b>
GDP (revised))	141,354	150,091	152,153	163,934	1.4	7.6	7.7

Source: Ministry of Economy and Finance

**Central Government Budget for 2004**  
(% of GDP)

	<b>Outturn 2002</b>	<b>Budget 2003</b>	<b>Estimate 2003</b>	<b>Budget 2004</b>
	(1)	(2)	(3)	(4)
<b>ORDINARY BUDGET</b>				
<b>REVENUE</b>	27.6	27.4	27.0	26.6
Tax revenue	25.3	25.0	25.0	24.8
Non-tax revenue and EU	2.0	2.1	1.8	1.5
Non recurring revenue	0.3	0.2	0.2	0.2
Tax refunds (-)	1.4	1.4	1.3	1.3
<b>NET Revenue</b>	<b>26.2</b>	<b>25.9</b>	<b>25.6</b>	<b>25.3</b>
<b>Primary expenditure</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>
Salaries and pensions	10.3	10.1	10.0	10.0
Wages	6.1	6.0	6.0	6.0
Grants to social security funds and medical care	3.4	3.7	3.7	3.8
Operating expenditure	4.2	4.1	4.0	4.0
Returned resources	2.2	2.1	2.2	2.2
Primary surplus	6.2	7.4	7.0	6.6
<b>Interest payments</b>	<b>6.5</b>	<b>6.3</b>	<b>6.1</b>	<b>5.9</b>
<b>TOTAL EXPENDITURE</b>	<b>26.5</b>	<b>26.2</b>	<b>26.2</b>	<b>26.0</b>
Deficit	-0.2	-0.3	-0.5	-0.7
Amortization	14.8	14.4	14.7	12.1
Advanced payments for army equipment projects	0.1		0.1	0.1
<b>PUBLIC INVESTMENT PROGRAMME</b>				
<b>REVENUE</b>	<b>1.8</b>	<b>2.7</b>	<b>2.1</b>	<b>2.5</b>
Inflows from EU	1.8	2.7	1.9	2.5
Other	0.0	0.1	0.2	0.1
<b>EXPENDITURE</b>	<b>5.0</b>	<b>5.9</b>	<b>5.7</b>	<b>5.6</b>
Co-financed expenditure	2.7	3.8	3.0	3.2
National investment programme and expenditure for Olympic games infrastructure	2.2	2.1	2.5	2.4
Exceptional expenditure for natural disasters			0.2	
<b>DEFICIT</b>	<b>-3.2</b>	<b>-3.2</b>	<b>-3.5</b>	<b>-3.1</b>
<b>CENTRAL GOVERNMENT BUDGET</b>				
Revenue	28.0	28.6	27.7	27.8
Expenditure	31.4	32.2	31.8	31.6
<b>DEFICIT</b>	<b>-3.4</b>	<b>-3.5</b>	<b>-4.1</b>	<b>-3.8</b>
Surplus of public entities and other adjustments ( ESA 95)	2.2	2.6	2.6	2.6
<b>GENERAL GOVERNMENT BALANCE</b>	<b>-1.2</b>	<b>-0.9</b>	<b>-1.4</b>	<b>-1.2</b>

Source: Ministry of Economy and Finance

**Revenue of the ordinary budget**  
(€ million)

		2002	2003		2004	Changes %		
		Outturn	Budget	Estimates	Budget	(3)/(2)	(3)/(1)	(4)/(3)
		(1)	(2)	(3)	(4)			
<b>I</b>	<b>DIRECT TAXES</b>	<b>14,813</b>	<b>15,510</b>	<b>15,457</b>	<b>16,385</b>	<b>-0.3</b>	<b>4.3</b>	<b>6.0</b>
<b>1.</b>	<b>Income tax</b>	<b>11,685</b>	<b>12,505</b>	<b>12,154</b>	<b>13,105</b>	<b>-2.8</b>	<b>4.0</b>	<b>7.8</b>
	On households and others	7,494	8,000	7,791	8,395	-2.6	4.0	7.8
	On corporations	4,191	4,505	4,363	4,710	-3.2	4.1	8.0
<b>2.</b>	<b>Property taxes</b>	<b>542</b>	<b>480</b>	<b>456</b>	<b>485</b>	<b>-5.0</b>	<b>-15.9</b>	<b>6.4</b>
<b>3.</b>	<b>Tax arrears</b>	<b>1,610</b>	<b>1,475</b>	<b>1,755</b>	<b>1,610</b>	<b>19.0</b>	<b>9.0</b>	<b>-8.3</b>
<b>4.</b>	<b>Other direct taxes</b>	<b>976</b>	<b>1,050</b>	<b>1,092</b>	<b>1,185</b>	<b>4.0</b>	<b>11.9</b>	<b>8.5</b>
<b>II</b>	<b>INDIRECT TAXES</b>	<b>20,989</b>	<b>22,035</b>	<b>22,608</b>	<b>24,341</b>	<b>2.6</b>	<b>7.7</b>	<b>7.7</b>
<b>1.</b>	<b>Transaction taxes</b>	<b>13,428</b>	<b>14,270</b>	<b>14,746</b>	<b>16,246</b>	<b>3.3</b>	<b>9.8</b>	<b>10.2</b>
1.1	V.A.T.	11,986	12,755	13,280	14,659	4.1	10.8	10.4
	On hydrocarbon oils	975	1,090	1,090	1,164	0.0	11.8	6.8
	On tobacco	508	555	541	580	-2.5	6.5	7.2
	Other	10,503	11,110	11,649	12,915	4.9	10.9	10.9
1.2	Other transaction taxes	1,442	1,515	1,466	1,587	-3.2	1.7	8.3
	(Capitals transfers)	(735)	(870)	(793)	(863)	(-8.9)	(7.9)	(8.8)
	(Stamp duties)	(618)	(565)	(590)	(634)	(4.4)	(-4.5)	(7.5)
<b>2.</b>	<b>Consumption taxes</b>	<b>6,502</b>	<b>6,925</b>	<b>6,884</b>	<b>7,269</b>	<b>-0.6</b>	<b>5.9</b>	<b>5.6</b>
2.1	Turnover tax	221	255	245	268	-3.9	10.9	9.4
2.2	On vehicles	700	740	810	827	9.5	15.7	2.1
2.3	On hydrocarbon oils	2,319	2,460	2,437	2,533	-0.9	5.1	3.9
2.4	Other consumption taxes (tobacco etc)	2,395	2,650	2,563	2,755	-3.3	7.0	7.5
2.5	Road duties	630	555	567	604	2.2	-10.0	6.5
2.6	Other	237	265	262	282	-1.1	10.5	7.6
<b>3.</b>	<b>Tax arrears</b>	<b>707</b>	<b>470</b>	<b>581</b>	<b>420</b>	<b>23.6</b>	<b>-17.8</b>	<b>-27.7</b>
<b>4.</b>	<b>Other indirect taxes</b>	<b>352</b>	<b>370</b>	<b>397</b>	<b>406</b>	<b>7.3</b>	<b>12.8</b>	<b>2.3</b>
	(For E.U.)	(197)	(220)	(227)	(230)	(3.2)	(15.2)	(1.3)
	<b>TAX REVENUE (I+II)</b>	<b>35,802</b>	<b>37,545</b>	<b>38,065</b>	<b>40,726</b>	<b>1.4</b>	<b>6.3</b>	<b>7.0</b>
<b>III</b>	<b>FROM E.U.</b>	<b>230</b>	<b>181</b>	<b>187</b>	<b>211</b>	<b>3.3</b>	<b>-18.7</b>	<b>12.8</b>
<b>IV</b>	<b>OTHER NONTAX REVENUE</b>	<b>3,016</b>	<b>3,324</b>	<b>2,798</b>	<b>2,683</b>	<b>-15.8</b>	<b>-7.2</b>	<b>-4.1</b>
	<b>NONTAX REVENUE (III+IV)</b>	<b>3,246</b>	<b>3,505</b>	<b>2,985</b>	<b>2,894</b>	<b>-14.8</b>	<b>-8.0</b>	<b>-3.0</b>
	<b>TOTAL</b>	<b>39,048</b>	<b>41,050</b>	<b>41,050</b>	<b>43,620</b>	<b>0.0</b>	<b>5.1</b>	<b>6.3</b>
	<b>Tax refunds</b>	<b>1,967</b>	<b>2,150</b>	<b>2,050</b>	<b>2,200</b>	<b>-4.7</b>	<b>4.2</b>	<b>7.3</b>
	<b>Net Revenue Ordinary Budget</b>	<b>37,081</b>	<b>38,900</b>	<b>39,000</b>	<b>41,420</b>	<b>0.3</b>	<b>5.2</b>	<b>6.2</b>

Source: Ministry of Economy and Finance

**Central and General Government Debt**  
(€ million)

	2001	2002	2003*	2004**
<b>A. Debt in Euro</b>	<b>126,398</b>	<b>142,724</b>	<b>155,773</b>	<b>167,304</b>
as % of GDP	96.5%	101.0%	102.4%	102.1%
1. Treasury bills	2,261	1,658	997	1,346
<i>(held by the public sector)</i>	1,473	667	446	346
<i>(held by the private sector)</i>	788	991	551	1,000
2. Government Bonds, auctions and other issues	100,363	116,104	130,025	142,667
<i>Bonds</i>	98,293	114,213	128,676	141,473
<i>Consolidated loans</i>	2,070	1,891	1,349	1,194
3. Syndicated and other loans in euro	23,774	24,962	24,751	23,291
<b>B. Non Euro Zone Debt</b>	<b>7,651</b>	<b>4,008</b>	<b>3,039</b>	<b>2,298</b>
as % of GDP	5.8%	2.8%	2.0%	1.4%
Loans in foreign currency	7,651	4,008	3,039	2,298
<b>C. Liabilities to Bank of Greece</b>	<b>11,878</b>	<b>10,286</b>	<b>9,656</b>	<b>9,092</b>
as % of GDP	9.1%	7.3%	6.3%	5.5%
1. Loans from Bank of Greece in euro	10,985	9,561	9,016	8,484
2. Foreign currency-linked bonds	893	725	640	608
<b>D. Total central government debt (A+B+C)</b> (without ESA95 adjustments)	<b>145,927</b>	<b>157,018</b>	<b>168,468</b>	<b>178,694</b>
(as % of GDP)	111.4%	111.1%	110.7%	109.0%
<b>E. ESA 95 adjustments</b> (Privitization certificates, securitization, convertible bonds)	<b>9,911</b>	<b>9,099</b>	<b>6,971</b>	<b>4,511</b>
(as % of GDP)	7.5%	6.4%	4.6%	2.8%
<b>F. Total central government debt (D+E)</b> (with ESA95 adjustments)	<b>155,838</b>	<b>166,117</b>	<b>175,439</b>	<b>183,205</b>
(% GDP)	118.9%	117.5%	115.3%	111.8%
<b>G. Intergovernmental debt and other adjustments</b>	<b>-15,791</b>	<b>-18,094</b>	<b>-20,624</b>	<b>-21,649</b>
<b>H. General Government Debt (F+G)</b>	<b>140,047</b>	<b>148,023</b>	<b>154,815</b>	<b>161,556</b>
(% GDP)	106.9%	104.7%	101.7%	98.5%
GDP	131,026	141,354	152,153	163,934

\* Estimates

\*\* Provisional data