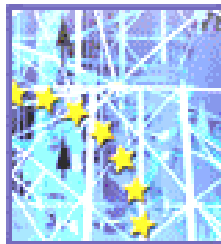




HELLENIC REPUBLIC
MINISTRY OF ECONOMY AND FINANCE
GENERAL ACCOUNTING OFFICE

GOVERNMENT BUDGET REPORT 2005

Executive Summary



ATHENS, DECEMBER 2004

I. Overview of the Greek economy

In recent years there has been a substantial deterioration in the fiscal performance of the Greek economy as well as in its competitiveness, despite its high rates of growth. High growth rates were mainly associated with external factors, such as the inflow of resources from EU Structural Funds as well as the rapid expansion of consumption credit. Hence, it is clear that neither of these factors can have a sustainable effect in the future.

The continuation of high growth rates will not be feasible, unless policies enhancing economic activity are adopted. The ratio of the private debt of households and enterprises to GDP, although lower than the eurozone average (66,3% as compared to 117%), continues to grow rapidly, as a substantial part of consumption and construction is financed by consumption and mortgage loans (the average annual rate of growth of loans to households reached 33% over the last three years). The government focuses on the promotion of development based on private sector initiative, enhancing employment prospects, creating a favorable environment for the attraction of foreign direct investment.

The deviation of inflation rate levels between Greece and the European average has, to a certain extent, been anticipated due to the higher growth rate of the Greek economy. Since monetary policy can no longer serve as a tool to lower inflation (as was the case in the past), the improvement of competitiveness and the reduction of unemployment require more genuine structural reforms.

Dealing with unemployment on a long-term basis requires a process of economic growth based on private entrepreneurship, via the creation of new businesses and the adoption of economic policies and employment programs specifically oriented towards certain target groups of unemployed. Unemployment can only be encountered if economic expansion is accompanied by structural reforms (particularly in the fields of education and training), co-ordination of demand and supply in the labor market, improved labor mobility as well as efficient use of the 3rd CSF funds.

Prospects for 2005

The new development and social policy measures will create a more favorable economic environment, which will prove beneficial to the various economic sectors and will improve the competitiveness of the economy through enhanced investment and exports.

Such measures are the following:

- Tax reform, mainly through the gradual reduction of income tax rates, both corporate and households
- Incentives for medium-sized enterprises
- Improvement of the economy's absorptive capacity of the 3rd CSF resources
- Maximum utilization of the Olympic Games infrastructure
- Establishment of a national strategy for regional development, focusing on the support of the country's mountainous parts and its islands
- Re-allocation of public expenditure in favor of health care, education and social welfare in general
- Gradual fiscal consolidation through transparency in fiscal management, retaining of consumption expenditure, utilization of public property, adoption of anti-tax evasion measures, containment in defense expenses and the establishment of a new framework for privatizations.

The growth rate of the Greek economy is anticipated to accelerate to 3.9% in 2005 from 3.7% in 2004. Private sector investments and exports will be the main driving force, as they are projected to reach 7.9% and 7.5% respectively. Private consumption also is expected to rise by 3.5%, while the growth

rate of public consumption is anticipated to decline significantly by more than 4 percentage points. Finally, employment is expected to increase, while inflation to fall by 0.2 percentage points.

Tax reforms

Tax reforms, recently been ratified by law, have as a target the decrease of the tax burden both for households - especially for those with low income - and for the corporations, in order to enhance their competitiveness. The new tax law promotes the improvement and simplification of the tax system as well as the transparency and objectivity in tax controls.

The most important settlements referring to:

1. **Households**, include:

- increase in the tax free threshold for employees and pensioners from 10,000 to 11,000 euro and for the other categories of tax payers from 8,400 to 9,500 euro,
- improvements related to the households income taxation framework.

2. **Corporations**, include:

- gradual reduction in the rate of income tax on corporations, from 35% to 25% by 2007, in order to enhance the competitiveness of enterprises,
- reduction by 50% in the amount of advance payment on behalf of the corporations for the first three years of their establishment.

3. **Liquid assets and stock market**, include:

- decrease in the tax rate on the income of interest on deposits, from 15% to 10% and increase in the tax rate of REPOS, from 7% to 10% in order to stimulate households savings,
- reduction of the tax rate imposed on stock exchange transactions from 3‰ to 1.5‰, starting from 1/1/2005 in order to enhance the stock exchange market's prospects.

New private investment law

The government, realizing its pre-elections commitments, approved a new private investment law, which has the following features:

- financial support granted to SMEs from the government budget is raised by up to 15%, in comparison with the previous investment and development law,
- the distinction between new and old enterprises, as regards access to different types of support, is abolished,
- subsidizing wage costs of new employment positions created by an investment plan,
- access to support, now, includes companies of the tertiary sector investing in innovation and in environmental protection.

Medium Term Fiscal Prospects (2006-2007)

Economic policy in the medium term is oriented and directed towards sustaining long-term stability and economic growth, through tax reform and the new investment law, both of which will offer significant incentives for new investments, regional convergence and increased employment opportunities.

The rate of real GDP growth of the economy for the period 2006-2007 is estimated to reach 4.1% and the inflation rate to fall from 3.1% in 2004 to 2.7% in 2007. Investment, both private and public, will

be boosted. We also expect a positive impact on the rate of foreign direct investments, as improved competitiveness due to the increase in productivity will attract foreign capital.

As far as the public sector is concerned, primary government expenditure will fall by 1%, while investment expenditure will rise.

Despite the reduction of both corporate and personal income tax burden, general government revenue is estimated to increase as a result of the containment of tax evasion and the anticipated high growth rates of the economy.

Thus, general government deficit is expected to fall to 2.6% of GDP in 2006 and 2.5% in 2007, while public debt is expected to decline to 106% and 102.5% of GDP respectively.

II. The implementation of 2004 Government Budget

The main target of the 2004 government budget was to constrain the central government budget deficit to 3.8% of GDP. However, this aim has not been achieved as the central government budget deficit is anticipated to reach 6.9% of GDP.

This negative development is mainly due to:

- non-registration of the necessary appropriations in order to cover both the current and the previous years' commitments (wage and pension expenditure, social policy expenditure and operating expenditure),
- increasing commitments required to carry out the Olympic Games, for electoral expenditure, as well as enhancement of Social Security Funds,
- overestimation of Ordinary Budget revenue,
- the underestimation of Public Investment Budget expenditure related to the Olympic Games and the overestimation of EU revenue.

As a result, the general government deficit is expected to reach 5.3% of GDP, against an initial forecast of 1.2%.

1. Ordinary Budget

Revenue

Ordinary budget revenue for the fiscal year 2004, before the deduction of tax refunds, is expected to reach €43,200 million, recording an increase of 8.3% compared to the previous year figure.

The latest tax settlements are expected to positively affect the outcome of 2004 and even more in 2005.

The aforementioned tax settlements include:

- special type of control of enterprises' financial data,
- payments due by 29/2/2004 to be paid on a monthly basis, and
- overdue tax returns to be submitted with no imposition of penalties.

Direct taxes

Direct tax revenue is expected to increase by 8.5% and reach €16,710 million.

Revenue from the corporate income tax is expected to increase by 12% due to the increase of corporate profits.

Revenue from tax arrears is anticipated to maintain its good performance, improved by the recent tax settlements mentioned above.

Indirect taxes

Revenue from indirect taxes is expected to reach €23,870 million indicating an increase of 11.1%.

Revenue from Value Added Tax displays an upward trend during the current year and is estimated to rise by 15.3% and reach €14,220 million by the end of 2004.

Non-tax revenue

Ordinary budget revenue derived from non-tax receipts is expected to reach €2,620 million.

Tax refunds

Tax refunds in 2004 are expected to rise by 5.0% as compared to 2003, hence reaching €2,500 million.

Expenditure

Ordinary Budget primary expenditure was initially estimated to reach €32,800 million, while interest payments €9,750 million. However, primary expenditure is expected to exceed the original budget target by €3,091 million and stand at €35,891 million, mainly due to the non-registration of the required appropriations.

In particular:

Wages-Pensions

The wages and pensions expenditure is expected to exceed original budget forecasts by €881 million, due to the increase of public sector wages, the payment of retrospective family allowances, the recruitment of new military staff, as well as the underestimation of appropriations related to civil servants pensions.

Grants to Social Security Funds and Medical Care

Expenditure related to Social Security funds and health care is expected to reach €6,960 million compared to an initial estimate of €6,223 million, exceeding the budget forecast by €737 million. This excess expenditure is related to the medical care of public sector employees, the Complementary Pension Allowance (EKAS), the grant to the Farmers Insurance Fund (OGA) and the increase of Seamen Fund (NAT) appropriations to finance seamen pensions.

Operating and miscellaneous expenditure

Operating and other expenditure is estimated to reach €7,858 million, against a forecast of €6,573 million. The reasons underlying this deviation are complex as this category includes various types of expenditure that may also differ in their operational use. Operating and miscellaneous expenditure include grants to various organizations such as the Urban Transport of Thessaloniki (OASTH), con-

sumption expenditure, electoral expenditure, the financing of the Hellenic Post (ELTA) liabilities as well as the students' housing allowance.

Contributions to the EU will increase by €440 million, €138 million of which concern 2003 liabilities and €130 million concerns reimbursements of non-executed investment programs.

A significant excess of expenditure related to the Olympic Games, resulted from a special allowance given to the security staff in order to ensure the smooth organisation of the Olympic Games.

Revenue on behalf of third parties

Revenue on behalf of third parties is expected to reach €3,787 million, against a budgeted amount of €3,600 million. The main part of the additional amount will be directed to local government authorities (OTA).

Interest payments

Interest payments will reach €9,523 million, lower by €227 million than the original forecast.

2. Public Investment Budget

Total expenditure in the public investment budget is expected to reach €9,600 million, €4,850 million of which will be directed to EU co-financed projects and the remaining €4,750 million to projects exclusively financed by national funds.

A substantial part (23.4%) of the current year's public investment budget expenditure was directed to projects related to the Olympic Games. This expenditure was exclusively covered by national resources.

III. The 2005 Government Budget

The 2005 Central Government Budget was prepared in a period characterised by two important events: the substantial fiscal data revision and the successful organisation of the Olympic Games.

The revised fiscal figures depict the real fiscal situation of the country, which in turn leads to an economic policy aiming to the substantial reduction of fiscal deficit and public debt.

The excessive deficits and the high rate of public debt require significant reforms in development policy. In order to achieve fiscal consolidation, a smooth fiscal adjustment is necessary that aims to:

- the containment of public consumption expenditure,
- the reduction of tax evasion,
- the adoption of a privatisations' program and structural reforms,
- better management of the government's real estate,
- the rationalisation of the national part of the Public Investment Budget,
- the enhancement of transparency in the management of public resources.

The primary policy objective for 2005 is the establishment of a confident and stable economic environment.

The 2005 budget pursues:

- the restriction of the central government deficit,
- the reduction of public debt,
- the fulfilment of commitments to support low-income social groups.
- the support of high priority sectors.

1. The main figures of the 2005 budget

The 2005 budget forecasts a €3,363 million increase in total net revenue (€3,010 and €353 million pertaining to the ordinary and public investment budget respectively), reflecting an increase of 7.7% relative to 2004. According to this forecast, revenue will stand at 26.7% of GDP, compared to 26.6% in 2004.

The increase of ordinary budget expenditure is restricted to 4.8% from 11.5% in 2004, which is substantially lower than the nominal increase of GDP (7.3%). On the contrary, expenditure in the co-financed public investment budget is expected to increase remarkably by 6.2%.

These changes reflect the joint effort for fiscal consolidation and the establishment of a stable and reliable economic environment through the reduction of tax evasion and the rationalisation of public expenditure.

The central government deficit is restricted to 4.8% of GDP, as compared to 6.9% and 6.4% in 2004 and 2003 respectively. The general government deficit will reach 2.8% of GDP, as compared to 5.3% in 2004 and 4.6% in 2003.

2. The 2005 Central Government Budget

Ordinary Budget

Revenue

The goals of the government's tax policy for the next three years are:

- to alleviate the tax burden on low-income earners,
- to boost the competitiveness of enterprises and attract investment in order to stimulate economic growth and reduce unemployment,
- to combat tax evasion and smuggling.

In order to achieve these goals, the following actions have been planned:

- the increase in the threshold of tax free allowance for households and the restructuring of the income tax brackets in order to achieve a more equitable distribution of the tax burden,
- the rationalisation of the system of tax deductions and allowances,
- the gradual reduction of the corporate income tax rate,
- the introduction of new procedures and mechanisms in order to render tax audits more objective,
- the reorganisation of the control and audit mechanisms of the Ministry of Economy and Finance so as to enable their more effective operation and the containment of tax evasion.

Tax policy for the year 2005 includes measures aiming at relieving lower income groups and boosting economic growth through simple and stable rules governing entrepreneurship and the attraction of investment.

As far as revenue is concerned, ordinary budget projections for the year 2005 are based on a nominal GDP growth forecast in the order of 7.3%.

Ordinary budget revenue in the year 2005, before the deduction of tax refunds, is expected to reach 46,310 million euros, showing an increase of 7.2% as compared to the estimates for the year 2004.

The settlements regarding assessed and overdue liabilities to the Government, overdue tax returns to be submitted with no penalties, and, mainly, the settlement of pending tax cases with favourable terms for taxpayers are expected to have a positive impact on 2005 revenue. The same holds for taxes to be received from the repatriation of capital.

Direct taxes

Direct tax revenue is expected to reach €18,145 million, representing an increase of in the order of 8.6% as compared to 2004.

The increase in the revenue of special income tax categories is due to taxes collected from the repatriation of capital.

Tax arrears are expected to reach €1,690 million, mainly due to the introduction of the aforementioned tax settlement procedures.

Indirect taxes

Revenue from indirect taxes is expected to reach €25,595 million, representing an increase of 7.2% over the revenue expected in 2004.

Non tax revenue

Non-tax revenue is expected to reach €2,570 million.

Tax refunds

For the fiscal year 2005, the amount of tax refunds is anticipated to reach €2,600 million.

Expenditure

Ordinary budget expenditure (excluding amortization payments) is expected to reach €47,577 million, versus €45,414 in 2004. This represents an increase of 4.8%, which is substantially lower than the increase in nominal GDP (7.3%), and is thus indicative of the effort for the rationalisation of expenditure in order to achieve the relevant deficit and debt targets.

Primary expenditure will increase at a much lower rate than in 2004 (5.3% as compared to 14.6%), while, as a percentage of GDP, it will fall from 21.8% down to 21.4%.

Interest payments are also expected to fall to 5.6% of GDP in 2005, as compared to 5.8% and 6.2% in 2004 and 2003 respectively.

Wages and Pensions

Expenditure for wages and pensions is expected to increase by 5.9% due to:

- the increase in wages, which will be higher than the expected inflation rate,
- the increase in pensions, which will be higher than the increase in wages,
- the wage maturity, concerning public sector employees,
- the carry-over of the economic obligations arising from the new hiring and transfers in 2004, in terms of wages,
- the new personnel hiring which is expected to take place in 2005 with a view to improve public sector services in crucial areas.

Grants to Social Security Funds and Medical Care

Expenditure for social security funds and medical care is expected to increase substantially compared to last year (14.5%), representing 21.1% of total primary expenditure of the ordinary budget as compared to 19.4% and 19.1% in 2004 and 2003 respectively.

The main part of this increase represents grants to social security funds (16.2%), reflecting the emphasis placed on social protection. Expenditure of this kind will mainly be directed at:

- the financing of OGA (Farmers' Insurance Fund) in order to finance the increase in farmers' pensions and medical care expenses,
- the increase in EKAS (Low Pensioners' Social Solidarity Allowance),
- the grant to IKA (Wage Earners' Social Insurance Fund),
- the increase in seamen's pensions,
- the financing of social security funds.

Operating and miscellaneous expenditure

Operating expenditure is expected to fall by 6.5% in 2005 despite new commitments that have been undertaken, such as the interest payments of ELGA, the increase in agricultural funds, the national contributions to the EU and allowances to disabled individuals.

This reduction is due to expenditure realised in 2004 which is not recurring in 2005 (e.g. expenses for the preparation of Olympic Games, electoral expenses etc.) and to the fall in consumption expenditure.

Resources received on behalf of third parties

The most important receipts on behalf of third parties refer to payments to insurance pension funds and particularly to the Farmers Insurance Fund and to local authorities.

Interest payments

Interest payments are estimated to fall to 5.6% of GDP in 2005.

Public Investment Budget

Public Investment Budget (PIB) Expenditure is anticipated to reach €8,050 million, €5,150 million of which is distributed among projects co-financed by EU Structural Funds, while the remaining €2,900 among projects financed by national resources. It should be mentioned that the payments of the PIB in 2005 are substantially lower than in 2004, since most of the expenses associated with Olympic projects in 2004 are non-recurrent.

IV. Public Debt

The increase of the General Government Debt, which in 2003 reached 109.9% of the GDP, is mainly due to the re-estimation of the intragovernmental debt, as well as, to the incorporation of old interest payments settlements. Debt is expected to reach 112.1% of GDP in 2004; this further increase is due to the Olympic Games financing needs along with the financing of already legislated liabilities of the State Budget.

Under the policy for restoring the fiscal discipline, the target of the gradual de-escalation and lengthening of the debt is pursued through the efficient management of the fiscal deficit and the achievement of high growth rates, as well as the management of the debt itself. Significant factors contributing to this end are the implementation of the privatization programs along with the higher absorption of the funds of the 3rd European Community Support Framework.

1. Composition of Public Debt

Composition of Central Government Debt

The outstanding Central Government Debt (including privatization certificates, securitization, exchangeable bonds and interest settlements) is estimated to reach 201,479 million euros in 2004, representing 122.5% of GDP compared to 182,390 million euros and 119.2% in 2003, respectively.

On 31/12/2004 the non-euro denominated central government debt accounts for only 1.3% of the total outstanding debt, practically eliminating the exchange risk in the debt portfolio.

Structure and characteristics of the Central Government Debt

The share of short-term securities (T-bills) in the Central Government Debt accounts for 0.8% in 2004, compared to 0.5% in 2003. On 30/9/2004 the fixed rate bonds before swaps represented 96.9% of the total volume of securities, whereas the floating rate bonds only 3.1%, compared to 96.3% and 3.7% in 2003, respectively.

On 30/9/2004, 44.6% of the tradable debt had a residual maturity exceeding 5 years, remaining on an upward trend over the past few years. In addition, the duration and modified duration on 30/6/2004 reached 5.0 and 4.8 respectively.

In 2003 the outstanding military debt amounted to 6,401 million euros or 4.2% of GDP, while in 2004 it is estimated to reach 6,565 million euro or 4.0% of GDP.

The total expenditure for debt servicing (interest payments, amortization and other related expenditure) in 2004 is estimated to fall to 27,802 million euros compared to 30,041 in 2003 indicating a decrease in the order of 7.5%. Despite the significant reduction, it still remains high due to the redemption of large volumes of short and medium term securities. Interest payments also show a decreasing tendency as a GDP ratio, falling to 5.6% in 2005 versus 8.1% in 2000.

2. General Government Debt

At the end of 2004 it is estimated that the General Government Debt will have reached 184,336 million euro or 112.1% of the GDP compared to 168,132 million euro or 109.9% of the GDP in 2003, be-

cause of the re-estimation of the intragovernmental debt and the incorporation of interest payments settled in previous years. However, a significant reduction, down to 109.5% of the GDP is foreseen for 2005.

3. The Greek Government Securities Market

The main characteristics of the Greek Government Securities Market are the following:

- increased yields in all tenors during the 1st semester of 2004 followed by lower yields during the 3rd quarter due to weakening macroeconomic conditions,
- further convergence of the average daily yields of the Greek and German benchmark bonds.

Primary market

By 31/10/2004, 94.6% of the total yearly issuance activity had been carried out, bearing a weighted average financing cost of 3.4%. The uneven allocation of borrowing was mainly due to the amortization schedule, as well as the necessity of high cash reserves for the Olympic Games.

The prime objective of the issuance policy of the year 2004 (as in previous years) was the establishment of 3, 5 and 10-year benchmark bonds, with high liquidity (at least €5 bn), following a front loading issuance pattern.

At the same time private placements were tested aiming at diversifying the investor base and taking full advantage of the investment opportunities. In this context, two 30-year privately placed issues were successfully undertaken.

Secondary market

The average monthly turnover of Government Securities in the Electronic Secondary market (HDAT), OTC market and EuroMTS, reached historically high levels. The average daily trading volume in HDAT during the 3rd quarter of 2004 was €4,553 million. The greatest part of transactions (80.4% of the total volume) was focused on securities with a maturity exceeding 5 years.

Basic characteristics of the borrowing and management targets of 2005

The borrowing plan for 2005 is dictated by the cash requirements arising from the redemption schedule and the financing needs of the State Budget.

The main characteristics of the borrowing plan are the following:

- bond issues, focussing again on the 3, 5 and 10-year tenors, as well as T-Bills will cumulatively cover a percentage of about 75% of the total issuance,
- the remaining 25% of the issuance will be covered by strategic issues in order to diversify the investor base and exploit potential investment opportunities.

The portfolio debt management targets will be accomplished through new management activities such as:

- the further reduction of the servicing cost of the outstanding debt on both cash and accrual basis, by taking advantage of the prevailing conditions in the international markets;

- the management of the interest rate risk by keeping the duration within the desired band of 3.5-4.5 years, as well as keeping the floating rate notes contribution at the level of 20%-30% of the total portfolio liabilities.

Table 1. Central Government Budget 2005 (in million euros)						
	2003	2004		2005	Change %	
	Outcome	Budget	Estimate	Budget	2004/03	2005/04
	(a)	(b)	(c)	(d)	(c)/(a)	(d)/(c)
ORDINARY BUDGET						
1. Net revenue (a-b)	37,500	41,420	40,700	43,710	8.5	7.4
a. Revenue	39,881	43,620	43,200	46,310	8.3	7.2
b. Tax refunds	2,381	2,200	2,500	2,600	5.0	4.0
2. Expenditure (a+b)	40,735	42,550	45,414	47,577	11.5	4.8
a. Interest payments	9,416	9,750	9,523	9,800	1.1	2.9
b. Primary expenditure	31,319	32,800	35,891	37,777	14.6	5.3
3. Ordinary budget deficit (1-2)	-3,235	-1,130	-4,714	-3,867	45.7	-18.0
PUBLIC INVESTMENT PROGRAMME						
4. Revenue (a+b)	1,823	4,120	3,047	3,400	67.1	11.6
a. Inflows from EU	1,746	4,020	2,947	3,300	68.8	12.0
b. Other	77	100	100	100	29.9	0.0
5. Expenditure (a+b+c)	8,538	9,250	9,600	8,050	13.8	-16.1
a. Co-financed expenditure	4,461	5,300	4,850	5,150	8.7	6.2
b. National investment programme	2,418	2,550	2,500	2,300	3.4	-8.0
c. Expenditure for Olympic Games infrastructure	1,556	1,400	2,250	600	44.6	-73.3
6. Public investment programme deficit (4-5)	-6,612	-5,130	-6,553	-4,650	-0.9	-29.0
7. Central Government Deficit (3+6)	-9,847	-6,260	-11,267	-8,517	14.4	-24.4
(% of GDP)	-6.4%	-3.8%	-6.9%	-4.8%		
GDP	153,045	163,934	164,421	176,471	7.4	7.3

Table 2. General Government Deficit (in million euros)				
	2003	2004		2005
	Outcome	Budget	Estimate	Budget
a. Central Government Deficit	-9,847		-11,267	-8,517
b. Surplus of public entities etc.	5,471		4,880	4,260
c. Financing of social security funds (1)	-1,960		-1,331	-450
d. Payments for military equipment projects	-2,116		-1,798	-1,600
e. Other adjustments (ESA 95)	1,455		826	1,300
f. General Government deficit (a+b+c+d+e)	-6,997	-2,030	-8,690	-5,007
(% of GDP)	-4.6	-1.2	-5.3	-2.8
GDP	153,045	163,934	164,421	176,471

(1) Refers to government bonds for social security funds (IKA and OGA)

Table 3. Ordinary budget revenues
(in million euros)

	2003	2004		2005	% Change	
	Outcome	Budget	Estimates	Budget	2004/03	2005/04
I. DIRECT TAXES	15,397	16,385	16,710	18,145	8.5%	8.6%
Income tax	12,141	13,105	13,350	14,620	10.0%	9.5%
(Personal income tax)	6,969	7,495	7,680	8,365	10.2%	8.9%
(Corporate tax)	4,341	4,710	4,860	5,240	12.0%	7.8%
(Other)	831	900	810	1,015	-2.5%	25.3%
Property taxes	436	485	460	490	5.5%	6.5%
Tax arrears	1,671	1,610	1,640	1,690	-1.9%	3.0%
Other direct taxes	1,149	1,185	1,260	1,345	9.7%	6.7%
II. INDIRECT TAXES	21,484	24,341	23,870	25,595	11.1%	7.2%
Taxes on transactions	13,823	16,246	15,775	17,085	14.1%	8.3%
V.A.T.	12,333	14,659	14,220	15,430	15.3%	8.5%
(On hydrocarbon oils)	1,057	1,164	1,105	1,160	4.5%	5.0%
(On tobacco)	542	580	575	605	6.1%	5.2%
(Other)	10,734	12,915	12,540	13,665	16.8%	9.0%
Other transaction taxes	1,490	1,587	1,555	1,655	4.4%	6.4%
Capital transfers	(816)	(863)	(835)	(885)	2.3%	6.0%
Stamp duty	(592)	(634)	(630)	(675)	6.4%	7.1%
Consumption taxes	6,781	7,269	7,175	7,530	5.8%	4.9%
Turnover tax	245	268	270	295	10.2%	9.3%
On vehicles	772	827	870	935	12.7%	7.5%
On hydrocarbon oils	2,432	2,533	2,535	2,665	4.2%	5.1%
Other consumption taxes (tobacco etc)	2,528	2,755	2,635	2,755	4.2%	4.6%
Road duties	554	604	655	715	18.2%	9.2%
Other	250	282	210	165	-16.0%	-21.4%
Tax arrears	509	420	495	520	-2.8%	5.1%
Other indirect taxes	371	406	425	460	14.6%	8.2%
(For E.U.)	(215)	(230)	(270)	(295)	25.6%	9.3%
TAX REVENUE (I+II)	36,881	40,726	40,580	43,740	10.0%	7.8%
III. FROM E.U.	188	211	223	229	18.6%	2.7%
IV. OTHER NON-TAX REVENUE	2,812	2,683	2,397	2,341	-14.8%	-2.3%
NON-TAX REVENUE (III+IV)	3,000	2,894	2,620	2,570	-12.7%	-1.9%
TOTAL	39,881	43,620	43,200	46,310	8.3%	7.2%
Tax refunds	2,381	2,200	2,500	2,600	5.0%	4.0%
Ordinary Budget Net Revenue	37,500	41,420	40,700	43,710	8.5%	7.4%

Table 4. Central Government Budget 2005 (in million euros)							
	2003	2004		2005	Change %		
	Outcome	Budget	Estimate	Budget	In progress 2004	2004/03	2005/04
	(1)	(2)	(3)	(4)	(3/2)	(3/1)	(4/3)
ORDINARY BUDGET							
REVENUE	39,881	43,620	43,200	46,310	-1.0	8.3	7.2
Tax revenue	36,881	40,726	40,580	43,740	-0.4	10.0	7.8
Non-tax revenue and EU	3,000	2,894	2,620	2,570	-9.5	-12.7	-1.9
Tax refunds (-)	2,381	2,200	2,500	2,600	13.6	5.0	4.0
NET Revenue	37,500	41,420	40,700	43,710	-1.7	8.5	7.4
PRIMARY EXPENDITURE	31,319	32,800	35,891	37,777	9.4	14.6	5.3
Salaries and pensions	15,602	16,404	17,285	18,311	5.4	10.8	5.9
Wages	11,238	11,820	12,303	13,058	4.1	9.5	6.1
Grants to social security and medical care	5,993	6,223	6,960	7,970	11.8	16.1	14.5
Operating expenditure	6,211	6,573	7,858	7,344	19.6	26.5	-6.5
Resources received on behalf of third parties	3,512	3,600	3,787	4,152	5.2	7.8	9.6
Primary surplus	6,182	10,820	7,309	8,534	-32.4	18.2	16.7
Interest payments	9,416	9,750	9,523	9,800	-2.3	1.1	2.9
TOTAL EXPENDITURE	40,735	42,550	45,414	47,577	6.7	11.5	4.8
Deficit	-3,235	-1,130	-4,714	-3,867	317.2	45.7	-18.0
Amortization	21,615	19,287	20,374	21,786	5.6	-5.7	6.9
Payments for military equipment projects	987	758	1,798	1,600	137.2	82.2	-11.0
PUBLIC INVESTMENT PROGRAMME							
REVENUE	1,823	4,120	3,047	3,400	-26.0	67.1	11.6
Inflows from EU	1,746	4,020	2,947	3,300	-26.7	68.8	12.0
Other	77	100	100	100			
Expenditure	8,435	9,250	9,600	8,050	3.8	13.8	-16.1
Co-financed expenditure	4,461	5,300	4,850	5,150	-8.5	8.7	6.2
National investment programme	2,418	2,550	2,500	2,300	-2.0	3.4	-8.0
Expenditure for Olympic Games infrastructure	1,556	1,400	2,250	600	60.7	44.6	-73.3
Deficit	-6,612	-5,130	-6,553	-4,650	27.7	-0.9	-29.0
CENTRAL GOVERNMENT BUDGET							
Net revenue	39,323	45,540	43,747	47,110	-3.9	11.3	7.7
Expenditure	49,170	51,800	55,014	55,627	6.2	11.9	1.1
Central Government Deficit	-9,847	-6,260	-11,267	-8,517	80.0	14.4	-24.4
Surplus of public entities and other adjustments (ESA 95)	2,850	4,230	2,577	3,510			
GENERAL GOVERNMENT DEFICIT	-6,997	-2,030	-8,690	-5,007			
GDP (Revised)	153,045	163,934	164,421	176,471	0.3	7.4	7.3

Source: Ministry of Economy and Finance

Table 5. Central Government Budget 2005 (% of GDP)				
	2003	2004		2005
	Outcome	Budget	Estimate	Budget
	(1)	(2)	(3)	(4)
ORDINARY BUDGET				
REVENUE	26.1	26.6	26.3	26.2
Tax revenue	24.1	24.8	24.7	24.8
Non-tax revenue and EU	2.0	1.8	1.6	1.5
Tax refunds (-)	1.6	1.3	1.5	1.5
NET Revenue	24.5	25.3	24.8	24.8
PRIMARY EXPENDITURE	20.5	20.0	21.8	21.4
Salaries and pensions	10.2	10.0	10.5	10.4
Wages	7.3	7.2	7.5	7.4
Grants to social security and medical care	3.9	3.8	4.2	4.5
Operating expenditure	4.1	4.0	4.8	4.2
Resources received on behalf of third parties	2.3	2.2	2.3	2.4
Primary surplus	4.0	6.6	4.4	4.8
Interest payments	6.2	5.9	5.8	5.6
TOTAL EXPENDITURE	26.6	26.0	27.6	27.0
Deficit	-2.1	-0.7	-2.9	-2.2
Amortization	14.1	11.8	12.4	12.3
Payments for military equipment projects	0.6	0.5	1.1	0.9
PUBLIC INVESTMENT PROGRAMME				
REVENUE	1.2	2.5	1.9	1.9
Inflows from EU	1.1	2.5	1.8	1.9
Other	0.1	0.1	0.1	0.1
Expenditure	5.5	5.6	5.8	4.6
Co-financed expenditure	2.9	3.2	2.9	2.9
National investment programme	1.6	1.6	1.5	1.3
Expenditure for Olympic Games infrastructure	1.0	0.9	1.4	0.3
Deficit	-4.3	-3.1	-4.0	-2.6
CENTRAL GOVERNMENT BUDGET				
Net revenue	25.7	27.8	26.6	26.7
Expenditure	32.1	31.6	33.5	31.5
Central Government Deficit	-6.4	-3.8	-6.9	-4.8
Surplus of public entities and other adjustments (ESA 95)	1.9	2.6	1.6	2.0
GENERAL GOVERNMENT DEFICIT	-4.6	-1.2	-5.3	-2.8

Table 6. Central and General Government Debt (in million euro)				
	2002	2003	2004*	2005**
A. Debt in Euro	166,323	179,008	198,832	209,723
(as % of GDP)	117.5%	117.0%	120.9%	118.9%
1. Treasury Bills	1,658	958	1,665	1,414
<i>(held by the public sector)</i>	<i>667</i>	<i>407</i>	<i>364</i>	<i>314</i>
<i>(held by the private sector)</i>	<i>991</i>	<i>551</i>	<i>1,301</i>	<i>1,100</i>
2. Government bonds (auctions and other issues)	121,667	137,684	157,387	173,247
<i>Bonds</i>	<i>119,776</i>	<i>136,335</i>	<i>156,194</i>	<i>172,093</i>
<i>Consolidated loans</i>	<i>1,891</i>	<i>1,349</i>	<i>1,193</i>	<i>1,154</i>
3. Syndicated and other loans in euro	24,338	24,377	26,783	24,707
4. Liabilities to the Bank of Greece	9,561	9,018	8,486	7,983
5. ESA 95 adjustments (<i>privatization certificates, securitization, convertible bonds</i>)	9,099	6,971	4,511	2,372
B. Non euro zone debt	4,697	3,382	2,647	2,324
(as % of GDP)	3.3%	2.2%	1.6%	1.3%
1. Loans in foreign currency	3,972	2,809	2,095	1,801
2. Foreign currency-linked bonds and loans	725	573	552	523
C. Total Central Government Debt (A+B)	171,020	182,390	201,479	212,047
(as % of GDP)	120.9%	119.2%	122.5%	120.2%
D. Debt of public entities, coins etc	919	986	1,882	2,088
E. Central Government Debt (ESA adjustments)(C+D)	171,939	183,376	203,361	214,135
F. Debt of OTA, OKA	1,835	2,170	2,160	2,300
G. Intragovernmental Debt(-)	-14,653	-17,414	-21,185	-23,205
H. General Government Debt (E+F+G)	159,121	168,132	184,336	193,230
As % of GDP	112.5%	109.9%	112.1%	109.5%
GDP	141,502	153,045	164,421	176,471

* Estimates

** Forecasts

Source: Ministry of Economy and Finance