employment in the public sector. Measures on the revenue side will enhance efforts to facilitate more effective tax administration, simplify the tax system, and raise revenues. Social spending reform will identify ways to streamline social programs, to eliminate duplications, and to better target social spending. Finally, on public investment, the authorities will prioritize projects and estimate savings to the budget. In addition, the authorities are implementing far-reaching anti-evasion measures, while legislative steps are in the process of removing existing barriers to tax collection and streamlining the judicial appeals process. In parallel, public financial management is being improved.

The key reforms of the pension and health systems have entered into their second phases. The July 2010 pension reform has gone a long way toward stabilizing spending of the main pension funds at the 2009 level (in percent of GDP). The completion of an assessment of the main supplementary pension funds is expected by end-March 2011 and the authorities are ready to adjust further the parameters of the main pension funds, if needed. The health plan is broadly on track (e.g. cost-reducing reforms in hospitals, co-payments, and extended negative lists for non-reimbursable pharmaceutical products). Going forward, the government is faced with the complex issue of strengthening spending controls and reducing pharmaceutical expenditures. To cope with such issues, an independent task force to map out an overall reform of the health system has been established and will deliver its final report by the end of May. A time-bound action plan built on the outcomes of this final report is due by the end of June.

Concerning public real estate, the authorities will establish a comprehensive inventory of the government's assets by the end of the year. Taking such inventories into account, the government aims to implement an enhanced privatization program through 2013, which aims to raise euro 15 billion in the years 2011-13. The program is scheduled to be adopted by the Council of Ministers by the end of July. In addition, by the end of March, the Greek parliament is expected to approve a new law creating a single public procurement authority.

**Financial Sector Policies**

The banking sector remains under pressure. As expected, credit and liquidity conditions remain tight, while asset quality and profitability are decreasing. However, the banking system as a whole remains resilient, and private banks have had some success in raising capital in the markets. Additionally, during the second half of the year, there was a substantial slowdown in the decline of total deposits, while the Tier 1 ratio remains above 10 percent with a total Capital Adequacy Ratio (CAR) of 11.4 percent.

Greek banks have been requested by the BoG to prepare medium-term plans to adjust their funding. In this respect, the authorities are committed to activating, in cooperation with the ECB, a supplementary tranche of euro 30 billion to guarantee bank bonds. At the same time, the BoG will continue monitoring the liquidity situation of the banking system, allowing banks to gradually move toward a sustainable medium-term funding system. To this end, the