Social Protection and Labor Global Practice
The World Bank

GREECE SOCIAL WELFARE REVIEW

Weathering the Crisis: Reducing the Gaps in Social Protection in Greece

Administrative Agreement of 14 December 2015

Trust Fund (NO. TF072372)

EC Contract No 30-CE-0749429/00-44

October 7, 2016

Output D1

Project Leaders:	Ramya Sundaram and Nithin Umapathi
Core Project Team:	Christian Bodewig, Paul Corral Rodas, Boryana Gotcheva, Gabriela Inchauste, Theresa Jones, Laura Maratou-Kolias, Natalia Millán, Tu Chi Nguyen, Zlatan Sabic

---

The World Bank team is grateful for the support provided by Greek officials from the Ministry of Labor, Social Insurance, and Social Solidarity, the Ministry of Finance, the Ministry of Education, the Ministry of Interior, the State General Accounting Office, OGA, IDIKA, OAED, GSPR, and ELSTAT as well as municipality level welfare staff (Municipality of Aigaleo) who helped to identify key administrative and household data for analysis and provided us with feedback on an earlier version of this report. Stathis Triantafyllou is developing the more complete disability reform strategy and provided inputs to this note. Nikos Schmidt provided both technical and logistical support to the team. We are grateful to Philip O'Keefe, William Wiseman, and Ruslan Yemstov, for the excellent comments received in finalizing this report.

Contents

Figures

Tables

List of Acronyms

AEI	Universities
AMKA	Social Security Identification Number
AROP	At risk of poverty
BR	Beneficiary Registry (Registry of Beneficiaries)
CCT	Conditional Cash Transfer
DIAS	Inter-Bank Clearing House
EC	European Commission
ECB	European Central Bank
ELSTAT	National Statistical Agency of Greece
EOT	Greek National Tourism Organization
ESSPROS	European System of Integrated Social Protection Statistics
ETAP-MME	Social Security Fund for Media Staff
EU	European Union
EU-SILC	European Union Statistics on Income and Living Conditions
GAO	General Accounting Office
GDP	Gross domestic product
GMI	Guaranteed Minimum Income (also referred to as SSI)
GSIS	General Secretariat of Information Systems of the Ministry of Finance
HBS	Household Budget Survey
IBAN	International Bank Account Number
ICF	International Classification of Functioning and Health
IMF	International Monetary Fund
IDIKA	Social Security e-Governance Agency
IKA-ETAM	Social Security Fund for Employees / Social Insurance Institute
IT	Information Technologies
KEP	Citizen Service Centers
KEPA	National Center for Certifying Disability
KTEL	Inter-city Bus Companies
MIS	Management Information System
MISSOC	Mutual Information System on Social Protection
MoLSISS	Ministry of Labor, Social Insurance, and Social Solidarity
M&E	Monitoring and Evaluation
OAED	Manpower Employment Organization
OAEE	Social Security Fund for Freelance Professionals
OGA	Agricultural Insurance Organization
OECD	Organisation for Economic Cooperation and Development
SRSS	Structural Reform Support Services of the European Commission
SSI	Social Solidarity Income Program (also referred to as GMI)
SSF	Social Security Fund
SWIS	Social Welfare Information System
SWR	Social Welfare Review
TEI	Higher Education Technical Institutes
ToR	Terms of Reference
UN	United Nations
WEO	World Economic Outlook

Executive Summary

This report develops recommendations on how to strengthen the social welfare system in Greece by streamlining benefits in order to create fiscal space for the national roll-out of the Social Solidarity Income program as well as to channel resources into targeted programs and thereby more effectively protect the poorest citizens in Greece. Greece spends more on social protection than the average for the rest of the EU, but the system is limited to covering formal sector workers and managing the lifecycle risk of old age poverty. Expenditures are oriented largely to the pension pillar, with slightly under 11 percent of overall social protection expenditures allocated to non-contributory social welfare programs. Despite low expenditure levels, the social assistance system[1] remains highly complex, fragmented, and poorly targeted. As a result, despite high levels of spending, Greece has some of the largest gaps in the social protection system of all EU Member States. Nearly half of the poorest 40 percent of the population receive either no transfers or very insufficient transfers.

Since the global economic crisis began some steps have been taken to improve the targeting of the social welfare system and to introduce programs oriented towards the poor. In 2013, a means-tested family benefit was introduced, and in 2014/2015 a Guaranteed Minimum Income (GMI) program targeted to the extreme poor was piloted in 13 municipalities representing about 5 percent of the total population. A phased roll-out of the program to 30 municipalities began in mid-July 2016, and the national roll-out of this program is planned for 2017. Finally, the government is currently implementing a series of temporary means-tested schemes targeted to the poor (the humanitarian crisis measures), which include an electricity subsidy, a rental allowance program, and a cash transfer program to enable beneficiaries to purchase food.

The main focus of this report is to find the necessary fiscal space to enable the national roll-out of the GMI program and to increase the effectiveness of the means-tested family benefit. This will help to reduce the gaps in the safety net in Greece and to mitigate poverty among the extreme poor. This report presents options for consolidations, reformulations, and rationalization of poorly designed and/or targeted social welfare programs, social insurance programs and some tax expenditures. Combining these measures with the roll-out of the GMI would result in a significantly more targeted social welfare system. The share of social welfare benefits going to the poorest decile would increase from 18 percent to 54 percent, the poverty headcount would fall by nearly 2 percentage points, and there would be a significant reduction in the poverty gap and poverty severity.

In addition to identifying fiscal space, the report explores ways to reformulate the two main family benefits programs. It also identifies specific issues in the area of disability benefits. The Social Welfare Review team will further examine disability benefits over the forthcoming months, with a view to producing a preliminary report as an input into a comprehensive disability review by the government.

[1] The terms social assistance and social welfare are used interchangeably in this note. They refer to non-contributory transfers financed from the general budget.

1. Why Social Welfare Reform in Greece?

Greece is facing an unprecedented social crisis. Years of recession and unemployment have had profound effects on the welfare of Greece's population. Greece's poverty rate more than doubled from 20 percent in 2007 to 48 percent in 2014[2]. This is the largest increase in anchored poverty among all European Union (EU) Member States over this time period. While household incomes have declined across the entire distribution between 2009 and 2013, the drops have been largest among Greece's poorest households.

Yet Greece's social welfare system is unprepared to respond to this crisis and to provide support to Greece's growing share of poor. Social welfare is underfunded relative to contributory social insurance, and compared to social welfare systems across the EU. Coverage by the system of the poorest 20 percent of the population is lower, and Greece has some of the largest gaps in the social protection system, among EU member states. Benefit adequacy of social assistance is also typically low. The system is highly fragmented, with more than 200 often small and poorly targeted benefits. In its current shape, Greece's social welfare system is only playing a limited role in poverty reduction and is unable to provide a much-needed social safety net to the country's most vulnerable. This has long-run implications, with erosion of opportunities for the next generation.

Greece faces a substantial reform agenda and the crisis is a unique opportunity to develop an effective and efficient modern social welfare system. This means, at the core, to achieve more poverty reduction, and better opportunities for beneficiaries for every euro spent as well as making the system easier and cheaper to administer and monitor (improving efficiency) and to increase the coverage, adequacy, reduce gaps, and fragmentation to make the system more accessible and more nimble in responding to changing needs (improving effectiveness).

Greece has embarked on modernizing its social welfare system over the last few years. More recently, a guaranteed minimum income program, the Social Solidarity Income (SSI), was launched in July 2016, to provide a basic social safety net for the poorest households. Guaranteed minimum income programs are the basic foundation of modern European welfare states, and Greece is one of the last EU Member States to introduce such a program. The SSI is being rolled out gradually across the country, with implementation under way under a first phase in 30 municipalities. It is a well-designed program underpinned by a modern, state of the art information system. It has an activation objective by incentivizing formal employment and by linking beneficiaries to social and employment services.

The SSI can effectively replace many existing smaller and less effective social welfare programs. These programs can be rationalized to achieve a much needed simplification of Greece's highly fragmented social welfare landscape. Such consolidation can also potentially create the fiscal space needed for the gradual roll-out of the SSI.

The Social Welfare Review contributes to the ongoing reform of the social assistance system[3]. The review assists the Government of Greece with designing reforms to make the system more streamlined, and more effective in alleviating poverty. Interim deliverables of the Social Welfare Review (SWR) that have been finalized and shared to date include: an inventory of benefits; two preliminary recommendations papers; a paper on key performance indicators, including coverage, targeting and

[2] The poverty line is anchored at 60 percent of median equivalized disposable income in 2007, adjusted for inflation over time.

[3] The phrases "social assistance" and "social welfare" are used interchangeably in this report and refer to all non-contributory transfers.

adequacy of the social welfare system, gaps in the safety net, overlaps and duplications/fragmentation of the system; and a note on the distributional impacts of tax expenditures. For more details on the terms of reference and a list of SWR deliverables, please see Annex 6.

The report develops recommendations on how to strengthen the system by streamlining benefits. First, it proposes a list of benefits and tax expenditures that can be consolidated to make fiscal space for the SSI based on a clear set of objective criteria. Second, it proposes important changes to improve efficiency and effectiveness of family benefits so as to provide robust protection for families with children. This helps strengthen another key element of social welfare system modernization in Greece.

2. Summary of Recommendations

2.1. Consolidating existing benefits and tax expenditures

The Social Welfare Review examined over 200 existing social welfare benefits in Greece and identified a prioritized list of benefits for consolidation/rationalization. The purpose for consolidation/rationalization of these benefits is to streamline the system and to obtain fiscal space for the SSI, a signature program targeted at extreme poor households. The prioritized list includes a mix of social assistance and social insurance programs as well as specific tax expenditures. They are assessed against a set of objective criteria to guide prioritization.

Criterion 1: **Focus on 'need' and ability to target**

This criterion looks at whether the design of the social welfare program focuses on some basis of need (i.e. poverty, severity of disability). Further, it looks at whether the empirical implementation of the program ensures the ability to target correctly based on the need identified. Programs that are poorly designed and/or poorly implemented are prioritized for consolidation.

Criterion 2: **Equity and fairness**

This criterion looks at whether the social welfare program is designed to ensure equitable and fair treatment of similar groups. For instance, are all poor children treated the same way? Are persons identified with similar levels of disability afforded the same benefits and services?

Criterion 3: **Tackling fragmentation and duplication**

This criterion aims at streamlining the social welfare system by rationalizing and consolidating small, poorly designed, poorly monitored programs. The aim is to have a few large programs with well-defined objectives that are properly designed, easy to access, and that are well monitored to also reduce the possibility for error and fraud.

SWR proposals for rationalization/consolidation of benefits and tax expenditures are summarized in Table 1. The rationale for each benefit is discussed in detail in section 3 of this report. The last column in this table lists the criteria on the basis of which rationalization is recommended. For instance, if criterion 2 is cited in the last column against a benefit, then the current design of the benefit *does not ensure equitable and fair treatment of similar groups*, hence the recommendation to either rationalize or consolidate this benefit. Note that more than one criterion may apply to particular benefits. Where possible, the report includes distributional impact assessment using the 2014 Greek Household Budget Survey.

Table 1: Benefits that Can Potentially be Rationalized/Reformulated/Consolidated

	Welfare program name	2014 Actual	2015 Actual	2016 Estimate	Expenditure type	Level 2 - Function	Cash or in-kind	KAE budget code	Criteria for Rationalization	Proposal	Comments
Family and Child Benefits											
1	Unified child benefit	456,604,099	447,102,234	450,000,000	SA	Family & child	cash	2731	Criterion 2; Criterion 3	consolidate	see section 4 of paper
2	Special benefit for three child families and large families	205,366,165	198,201,082	210,000,000	SA	Family & child	cash	2731	Criterion 2; Criterion 3	consolidate	see section 4 of paper
3	Special maternity protection benefit	66,305,884	71,358,262	59,000,000	SI	Family & Child	cash	n/a	Criterion 1; Criterion 3	reformulate	Section 3 has more details
4	Income allowance for families with children that study away from their residence / student housing benefit	48,700,000	36,144,000	47,693,000	SA	Family & child	Cash	2754	Criterion 3	rationalize	Section 3 has more details
5	Family benefits and wedding allowances	83,771,236	38,147,831	22,496,565**	SI	Family & Child	Cash	632	Criterion 1; Criterion 2; Criterion 3	rationalize	OAED family allowances already abolished
5a	*of which ELOEN*	8,070,678	7,948,315	7,165,875	SI		Cash	632		rationalize	
5b	*of which MTS*	20,347,532	14,736,038	9,547,690	SI		Cash	632		rationalize	

	Welfare program name	2014 Actual	2015 Actual	2016 Estimate	Expenditure type	Level 2 - Function	Cash or in-kind	KAE budget code	Criteria for Rationalization	Proposal	Comments
5c	*of which MTN*	9,640,393	9,392,125	5,599,661	SI		Cash	632		rationalize	
5d	*of which OAED*	45,126,353	5,648,859	5,480	SI		Cash	632			OAED family allowances already abolished
5e	*of which rest SSFs*	586,280	422,494	177,859	SI		Cash	632		rationalize	
6	Unprotected children	6,130,933	5,268,815*	5,268,816	SA	Family & child	Cash	6741.12	Criterion 3	rationalize	merge into SSI/GMI
7	Transportation cards for large families (KTEL buses)	11,906,152	5,143,988	4,261,139	SA	Family & child	In-kind	2738	Criterion 1; Criterion 3	rationalize	recommend examination of all transportation subsidies
8	Other education expenditures (student housing and food allowance for technical schools)	2,520,528	3,400,000	3,100,000	SA	Family & Child	Cash	549	Criterion 1; Criterion 3	Reformulate	Section 3 has more details
9	Income support to low-income children that study in compulsory education	1,738,800	1,503,700	1,750,000	SA	Family & child	Cash	2752	Criterion 3	Reformulate	Section 3 has more details
Disability benefits to insured persons financed from the state budget											
10	Extra institutional handicap benefit	173,573,364	185,501,457	185,501,457	SI	Disability benefits	Cash	n/a	Criterion 2; Criterion 3	reformulate	See Sections 3 and 6 of paper

	Welfare program name	2014 Actual	2015 Actual	2016 Estimate	Expenditure type	Level 2 - Function	Cash or in-kind	KAE budget code	Criteria for Rationalization	Proposal	Comments
11	Supplementary invalidity pensions due to total disability	97,938,306	98,967,711	98,967,711	SA	Disability benefits	Cash	n/a	Criterion 2; Criterion 3	rationalize / reformulate	See Sections 3 and 6 of paper
12	Supplementary pension for blind and other disability benefits provided by SSFs	9,696,630	9,679,032	9,679,032	SA	Disability benefits	Cash	n/a	Criterion 2; Criterion 3	rationalize / reformulate	See Sections 3 and 6 of paper
Housing and heating allowances											
13	Heating allowance	206,487,543	185,956,638	105,000,000	SA	Housing	Cash	2732	Criterion 1; Criterion 2; Criterion 3	rationalize	See Section 3 of paper
Unemployment related benefits											
14	Long term unemployment benefit	47,517,002	22,880,113	22,880,113	SA	Unemployment	Cash	n/a	Criterion 3	rationalize	See Section 3 of paper
15	OAED Funding for Union Organizations	12,800,000	12,271,782	15,000,000	SI	Other social insurance	In-kind	2522	Criterion 1; Criterion 3	rationalize	See Section 3 of paper
16	Benefits to those entering Labor Market	1,450,439	1,311,358	2,000,000	SA	Unemployment	Cash	n/a	Criterion 3	rationalize	See Section 3 of paper
Holiday and Tourism Benefits											
17	Holiday benefits to unemployed	65,477,039	64,273,799	24,664,774**	SI	Unemployment	In-kind	652	Criterion 2; Criterion 3	rationalize	See Section 3 of paper
17a	*of which OAED*	63,526,888	62,870,319	24,148,687	SI	Unemployment	In-kind	652		rationalize	

	Welfare program name	2014 Actual	2015 Actual	2016 Estimate	Expen diture type	Level 2 - Function	Cash or in-kind	KAE budge t code	Criteria for Rationalizat ion	Proposal	Comments
17b	*of which ETAP-MME*	907,851	468,880	221,253	SI	Unemploy ment	In-kind	652		rationalize	
17c	*of which House of Maritime Emloyees Oikos Naftou*	1,042,300	934,600	294,833	SI	Unemploy ment	In-kind (TBD)	652		rationalize	
18	Holiday benefits (for private sector pensioners)	48,532,741	39,260,372	27,035,967**	SI	Disability benefits and services	Cash	636	Criterion 1; Criterion 2; Criterion 3	rationalize	See Section 3 of paper
18a	*of which IKA*	44,398,359	37,749,191	26,564,167	SI		Cash	636		rationalize	
18b	*of which OAEE*	1,223,356	394,066	61,628	SI		Cash	636		rationalize	
18c	*of which ETAP-MME*	2,911,026	1,117,116	410,171	SI		Cash	636		rationalize	
19	Vacation benefits for disabled pensioners	16,454,513	18,630,090	13,733,208**	SI	Disability benefits	Cash	637	Criterion 2; Criterion 3	rationalize	See Section 3 of paper
19a	*of which IKA*	14,766,142	17,793,269	12,971,688	SI	Disability benefits	Cash	637		rationalize	
19b	*of which OAEE*	332,902	94,565	17,288	SI	Disability benefits	Cash	637		rationalize	
19c	*of which ETAP-MME*	665,012	7,971	392,374	SI	Disability benefits	Cash	637		rationalize	
19d	*of which OAED*	690,457	734,285	391,857	SI	Disability benefits	Cash	637		rationalize	

	Welfare program name	2014 Actual	2015 Actual	2016 Estimate	Expenditure type	Level 2 - Function	Cash or in-kind	KAE budget code	Criteria for Rationalization	Proposal	Comments
20	OAED Social Tourism	533,000	3,029,872	10,400,000	SI	Other social insurance	In-kind	KAE 2639 & KAE 4419	Criterion 1; Criterion 3	rationalize	2016 estimate is maximum expenditure allowed
21	Tourism programs (social tourism vouchers for six-day holidays)	1,525,000	1,525,000	550,000	SI	Other social insurance	In-kind	2641.02	Criterion 1; Criterion 3	rationalize	See Section 3 of paper
22	Tourism programs for Old age (social tourism vouchers for six-day holidays) "Tourism for all -3rd Age"	475,000	475,000	475,000	SI	Old-age benefits and services	In-kind	2641.02	Criterion 1; Criterion 3	rationalize	See Section 3 of paper
Summer Camps											
23	SSF/OAED summer camps	5,086,975	17,500,000	28,000,000	SI	Other social insurance	In-kind	2639 & 4419	Criterion 1; Criterion 3	rationalize	All summer camps, including those run by SSFs are recommended for rationalization
24	State Camp Programme for children	2,971,978	2,700,000	2,700,000	SA	Family & child	In-kind	2343/2292	Criterion 1; Criterion 3	rationalize	
25	Camp program for disabled	750,000	3,325,550	3,325,550	SA	Disability benefits	In-kind	2559	Criterion 3	rationalize	
Regional / Municipal benefits											
26	0821 - Student transportation	160,780,708	138,659,830	138,659,830		Family Benefits	In-kind	821	Criterion 1; Criterion 3	reformulate	See section 3 of paper

	Welfare program name	2014 Actual	2015 Actual	2016 Estimate	Expenditure type	Level 2 - Function	Cash or in-kind	KAE budget code	Criteria for Rationalization	Proposal	Comments
27	Emergency financial support to poor citizens / Unprotected children	12,041,108	2,780,469	2,269,197	SA	Other social assistance	Cash	2739 and 6741.15		reformulate	See section 3 of paper
28	Financial assistance to homogeneous and repatriated Greeks	2,091,953	2,960,105*	2,960,105	SA	Other social assistance	Cash	6741.13	Criterion 1; Criterion 3	rationalize / reformulate	See section 3 of paper
29	Income support for households in mountainous and disadvantaged areas with low incomes	1,825,249	1,825,249	1,825,249	SA	Other social assistance	Cash	2751	Criterion 3	rationalize and merge into GMI	See section 3 of paper
30	Benefit for booklets to uninsured persons	NA	NA	NA	SA	Health benefits and services	In-kind	12501	Criterion 1; Criterion 3	rationalize	new health care for uninsured supersedes this benefit
Tax Credits											
31	Tax credit for medical expenses	85,218,280	85,218,280	86,813,580	**TE**				Criterion 1 Criterion 3		
32	1.5 % Withholding discount	54,746,433	54,746,433	54,746,433	**TE**				Criterion 1 Criterion 3		
33	Special tax rate for sea-farers	88,667,739	88,667,739	88,667,739	**TE**				Criterion 1 Criterion 2 Criterion 3		

	Welfare program name	2014 Actual	2015 Actual	2016 Estimate	Expenditure type	Level 2 - Function	Cash or in-kind	KAE budget code	Criteria for Rationalization	Proposal	Comments
	Winter period gas-oil heating excise tax refund	114,524,500	114,524,500	63,950,407	**TE**				Criterion 1		
	Agricultural diesel excise tax refund	72,476,378	72,476,378	NA	**TE**				Criterion 1		Refund abolished
	Total	2,166,685,674	2,035,416,667	1,793,374,870							

*Raw data from Q&R data. ** based on 8-month executed budget provided by GAO. Note: SA: Social Assistance, SI: Social Insurance, TE: Tax Expenditure. Cells in green contain estimates by World Bank staff. For most benefits, the estimates are assumed to be based on the previous year's actual budget. In the case of tax expenditures, the estimates are based on Household Budget Survey data and are, therefore, very approximate.

Table 2: Functional Breakdown of Amounts that can potentially be Rationalized/Reformulated/Consolidated

	2014		2015		2016	
	Euros	Percent of GDP	Euros	Percent of GDP	Euros	Percent of GDP
Family and Child Benefits	883,043,797	0.50%	806,269,911	0.46%	803,569,520	0.46%
Unified Family and Large Family Benefits	*661,970,264*	*0.37%*	*645,303,315*	*0.37%*	*660,000,000*	*0.38%*
Other Family Benefits and Services	*221,073,533*	*0.12%*	*160,966,596*	*0.09%*	*143,569,520*	*0.08%*
Disability Benefits	281,208,300	0.16%	294,148,200	0.17%	294,148,200	0.17%
Housing and heating allowances	206,487,543	0.12%	185,956,638	0.11%	105,000,000	0.06%
Unemployment Benefits	61,767,441	0.03%	36,463,253	0.02%	39,880,113	0.02%
Holiday and Tourism Benefits	132,997,293	0.07%	127,194,133	0.07%	76,858,949	0.04%
Summer Camps	8,808,953	0.00%	23,525,550	0.01%	34,025,550	0.02%
Regional/Municipal Benefits	176,739,018	0.10%	146,225,653	0.08%	145,714,380	0.08%
Tax Credits	415,633,330	0.23%	415,633,330	0.24%	294,178,159	0.17%
Total	2,166,685,675	1.22%	2,035,416,668	1.16%	1,793,374,871	1.02%

The reallocation of expenditures from social welfare programs and from tax expenditures could result in savings that can finance a fiscally neutral national roll-out of the SSI program. Table 1 identifies benefits/tax expenditures for consolidation/reformulation amounting to roughly 1.16 percent of GDP (in 2015) as follows: about 0.66 percent of GDP (in 2015) from social assistance; 0.26 percent (in 2015) of possible savings from social insurance benefits and a maximum of about 0.24 percent (in 2015) of GDP from tax expenditures (note that some reforms have already been undertaken that decrease the available fiscal space in 2016, and further in 2017). Overall estimated amounts for 2016 are about 1.02 percent of GDP (0.63 from social assistance, 0.23 from social insurance, and 0.17 from tax expenditures). Note that this report does not recommend elimination of all these benefits, but rather selective rationalization/reformulation and consolidation. For instance, poor families with children are insufficiently covered by the social welfare system in Greece (see SWR Output B1 B2 B3), so the report recommends that the Unified Child Benefit and Large Family Benefit be consolidated, and the benefit amount be increased per child under the consolidated Unified Child Benefit, to improve efficiency and targeting. Section 1.3 summarizes the proposals for consolidation of these two benefits, and section 4 looks in details at the distributional and fiscal impacts of the various proposals. One of the proposals (specifically Scenario 4, adjusted thresholds) can result in savings of up to EUR 35 million. On the other hand, categories such as the holiday and tourism benefits are not clearly targeted based on need; such benefits could be considered for abolishing.

The combined introduction of the SSI and proposed rationalization of social welfare benefits is estimated to lead to significant improvements in coverage, targeting and poverty impact of Greece's social welfare system. The reason is that few of the benefits proposed for rationalization actually accrue to Greece's poorest households or most vulnerable individuals. For example, the heating allowance, one of the largest social welfare benefits proposed for rationalization, does not accrue to the poorest households. Social Welfare Review estimations drawing on the 2014 HBS suggest that reforms could lead to a significant increase in social assistance coverage of the poorest 10 percent of the population from the current 47 percent to 81 percent (see Figure 1)[4]. Targeting accuracy of social assistance transfers would improve, too, with the poorest decile getting 54 percent of social assistance transfers after reforms compared to 18 percent before reforms (see Figure 2). The reforms would reduce the poverty headcount by nearly 2 percentage points, from 19.4 to 17.4 percent (see Table 3). The poverty gap and severity would also decrease significantly. The improved targeting of the social welfare system as a result of the reforms would help reduce the gaps in protection for the extreme poor and for families with children and mitigate their situation in the midst of a severe social crisis.

[4] Simulations include the removal of the specific tax credits listed in

Table **1**, the removal of the heating allowance, the reformulation of the family benefits (Scenario 4, adjusted thresholds (see Section 4)), and the introduction of the SSI.

Box 1: Main Indicators of the Performance of Transfers

The main indicators of the performance of transfers are:

- *Coverage*: the proportion of population in each income group that receives the transfer, particularly the poorest quintile.
- *Targeting accuracy*: the transfer amount received by each income group as a percentage of total transfers received by the population, also with a focus on the poorest quintile.
- *Dependency:* the transfer amount received by all beneficiaries in each income group as a share of the total welfare aggregate of the beneficiaries in that group. This gives a sense of how important the transfer is to the beneficiary household. Dependency is high if the transfer constitutes a large share of the beneficiary household's income.
- *Adequacy:* the average transfer amount received by all beneficiaries in each income group relative to the minimum wage, which is EUR 586 a month. The monthly minimum wage for employees aged 25 and over with less than three years of experience is paid 14 times a year, yielding a total of EUR 8,204 per year. Comparing the average transfer amount to the minimum wage gives an indication of whether the benefit may create a disincentive to work.

To analyze the distributional impact of the proposed reforms of both taxes and transfers, we divided the population into different income groups based on the equivalized gross market income (income before taxes and transfers) of households. To benchmark Greece's performance against other countries in the EU or where only transfers are concerned, we used equivalized net market income (income after taxes but before transfers) to rank individuals into income groups. For a definition of the different income groups, please see Box 2.

Box 2: The Income Concepts Used in This for Analysis

1. **Gross taxable income:** We applied the Greek income tax code (ITC) to HBS data in order to define tax units. We then grossed up incomes and constructed a taxable income measure for every household in the survey. The ITC classifies as taxable income any income remaining after the deduction of allowable expenses from the following: (i) income from salaried work and pensions; (ii) income from any business activity; (iii) income on equity**;** and (iv) income from capital gains from capital transfers. Since income reported in the HBS is net after withheld taxes and social security contributions, we obtained gross taxable income by calculating the presumed taxes paid based on the tax code. We then added these taxes to reported net income from employment, self-employment, pensions, severance payments, capital incomes, and old age and survivor pensions to estimate gross taxable incomes (before taxes but after social security contributions). We also included OAED payments for unemployment insurance in taxable income.
2. **Net market income:** This income includes all items in taxable income and other market income exempt from taxes (private transfers, reimbursements, sickness benefits, maternity benefits, the war victim pension, the army allowance, and the disability pension), net of taxes plus tax benefits. We used this income concept to rank households in the distributional analysis of social benefits.
3. **Disposable income:** This income includes all items in net market income plus direct social transfers (disability benefits, family/child benefits, the housing allowance, the social allowance, and the education allowance). We used this income concept to define poverty and analyze the impact of social benefits on poverty.

Figure 1: Coverage of the Poorest Decile by Social Assistance Increases Significantly after Reforms

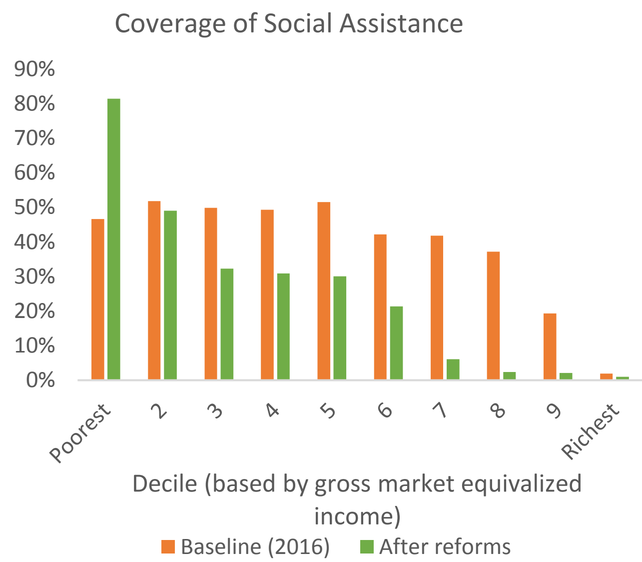
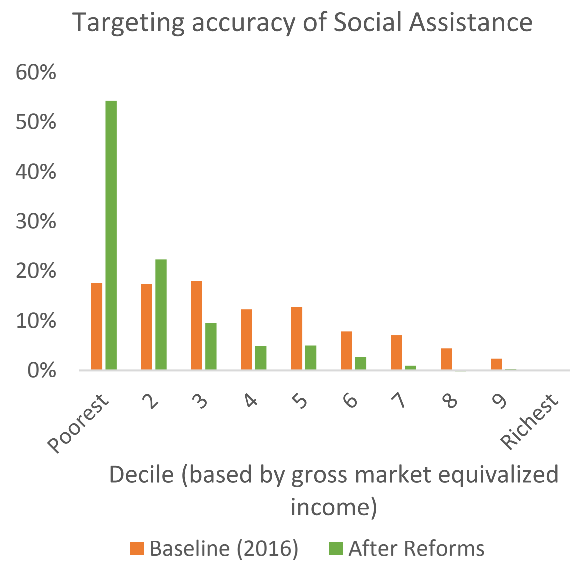


Figure 2: Targeting Accuracy of Social Assistance Increases Significantly After Reforms



Source: World Bank staff estimates based on ELSTAT HBS 2014

Note: Reforms include the removal of the specific tax credits listed in Table 1**Error! Not a valid result for table.**, the removal of the heating allowance, the reformulation of the Unified Child Credit and the Large Family Benefit (specifically Scenario 4, Adjusted Threshold), and the introduction of the SSI.

Table 3: Impact on Poverty of Reform

	Poverty headcount	Poverty gap	Poverty severity
Baseline (2016)	19.38%	6.92%	4.00%
Reformulate family benefits	18.98%	6.83%	3.92%
Remove Heating Allowance	19.06%	6.86%	3.94%
Remove Tax Credits (identified in Table 1)	19.20%	6.88%	3.94%
Introduce GMI	17.44%	5.00%	2.02%

Source: World Bank staff estimates based on ELSTAT HBS 2014

Note: Anchored poverty line is at 60 percent of median income before the reforms. Reforms include the removal of the specific tax credits listed in Table 1, the removal of the heating allowance, the reformulation of the family benefits Unified Child Credit and the Large Family Benefit (specifically Scenario 4, Adjusted Threshold), and the introduction of the SSI.

2.2. Strengthening Greece’s main family benefits

Family benefits in Greece are relatively poorly funded and fragmented which undermines their impact on poor families. Spending on family benefits in Greece, at only about 0.46 percent of GDP, ranks low in comparison to the rest of the EU, where average spending as a percentage of GDP is about five times as high. Low expenditure on family benefits is particularly worrisome considering that children under 18 years of age, as well as youth aged 19 to 29, have the highest poverty rates in Greece. In addition to low spending on family benefits, the overall benefit design is also subject to fragmentation, duplication and poor targeting. There is scope for streamlining and consolidating family benefits to improve administrative and targeting efficiency. This report suggests streamlining of various small child benefit programs and consolidation of the Large Family Benefit and the Unified Family Benefit. The Large Family Benefit is reserved for families with 3 or more children. It has a generous income threshold, leading to poor targeting (violating Criterion 1); and it confers a disproportionately more generous benefit to these families (violating Criterion 2). The Unified Family Benefit is also means-tested and provides all poor families with children an equitable benefit albeit where the benefit amount is currently small.

This report suggests elimination of the large family benefit and a set of reforms to make the Unified Family Benefit more equitable and better targeted. They are based on the principle of treating all children equally, increasing efficiency in poverty alleviation, keeping the design simple and reducing the administrative burden. The specifics of the proposed reforms include:

(i) eliminating the large family benefit which currently provides disproportionally higher benefits per child to families with 3 or more children;
(i) removing the unified child benefit for the third and richest income tier;
(ii) using the SSI equivalence scale to target the unified child benefit thereby increasing the likelihood of poor larger families qualifying for benefit; and
(iii) adjusting the equivalized thresholds for the unified child benefit for tiers 1 and 2 to EUR 5,000 and EUR 10,000, respectively.

These four measures lead to one large unified family benefit that improves targeting and helps streamline the system. By providing greater weight to dependent children, and by restricting the benefit so that only families in lower deciles of the income distribution receive them, the reforms result in treating all poor children more equitably and increases the amount of benefit received per child. Four different scenarios that vary the amount received by each child are simulated. Scenarios 1 and 2 provide differentiated benefit amounts based on family size, which partly compensates for the loss of the large family benefit. Scenarios 3 and 4, on the other hand, provide a flat benefit amount of EUR 70 and EUR 60 per month per child, respectively (thereby increasing the amount of the unified family benefit). By treating all children equitably, Scenarios 3 and 4 are better able to meet the objective set by Criterion 2. With the exception of scenario 4, all benefit structures increase the adequacy of the benefit across all income deciles. All scenarios are likely to result in a small decrease in poverty headcount, and more importantly a larger decrease in the poverty gap, among households with dependent children. Scenario 4 may raise poverty among households with three or more dependent children.

The net fiscal effect of the proposed family benefit reform depends on the particular reform scenario chosen. When the equivalized thresholds are adjusted (the tier 1 threshold adjusted to EUR 5,000, and tier 2 threshold adjusted to EUR 10,000), scenario 1 would be fiscally neutral, while scenario 4 would generate savings of EUR 35 million. Scenarios 2 and 3, on the other hand, would be fiscally expansionary, and result in an increase in expenditure of EUR 53 and EUR 60 million, respectively.

2.3. How can fiscal space be found to reduce the gaps in Greece's social safety nets even further?

The reform of Greece's social welfare system continues following the introduction of means-tested family benefits in 2013 and with the launch and gradual roll-out of the new Social Solidarity Income. The rationalization of existing smaller and less effective benefits is warranted to help streamline the system and reduce fragmentation.

Lowering the standard tax credit could provide another option to obtain the needed fiscal space to reduce the gap in Greece's social safety net. This report makes concrete proposals to rationalize a list of benefits and tax expenditures presented in Table 1 in order to release fiscal space needed for the fiscally neutral roll-out of the SSI. The list presents some difficult reform choices. This report also proposes the option of obtaining fiscal space by lowering the standard tax credit claimed by all tax payers in Greece on pension and wage incomes as well as incomes from agriculture (see Section 4). The current level of the standard tax credit leads to Greece having the highest share of households that do not pay personal income tax among EU member states. Incomes up to EUR 20,000 qualify for a EUR 1,900 tax credit with the credit decreasing by EUR 10 for every EUR 1,000 over that amount. One could potentially find permanent savings of some EUR 1 billion by lowering the tax credit to about EUR 1,600. Even following this reduction, Greece would still have 33 percent of households not paying any personal income tax, still remaining among the highest in the EU. This measure has little impact on the poorest deciles; with the poorest decile seeing an increase of only about EUR 3.46 million in additional tax payments. The reduction would affect individuals in the upper deciles, with the 8^{th}, 9^{th} and 10^{th} decile facing increases of more than EUR 160 million of tax payments per decile. Even if some savings to be reallocated to the SSI program could be obtained through other measures, reducing the standard tax credit would increase the funding available for housing allowances and for possible increases in the amount of the Unified Child Benefit. It might also allow for a decrease in marginal tax rates in order to reduce the tax wedge in Greece, which is extremely high by regional standards. This report stresses that any reform to the standard tax credit needs to reflect the broader tax reform context in Greece, as well as the current socioeconomic context of the country. The Government of Greece may want to consider the appropriate timing of such a reform.

With Greece's social welfare system underfunded relative to needs and EU comparators, one may wish to look for further fiscal space beyond the social welfare system. The Government of Greece is undertaking an expenditure review covering 3 ministries in 2016 and expanding to all ministries in 2017. This presents an opportunity to find fiscal savings beyond the social welfare system that can help to further reduce the gaps in the social safety net. Subsidies in the transportation system, including Athens and Thessaloniki metro systems as well as the rail system, could be examined. Subsidies to utilities, including electricity, natural gas, and water, present a further area for potential savings. The Ministries of Health and Education also confer benefits that are outside the scope of this Social Welfare Review, but can be examined as part of the overall expenditure review.

The rest of the report is organized as follows. Section 3 presents detailed information about the benefits that we are recommending for consolidation along with the rationale for selecting them within the context of the overall social protection system in Greece. Section 4 makes recommendations for the consolidation of the main family benefits and presents fiscal and distributional analysis of different reform scenarios. Section 5 presents a benefit incidence analysis of tax expenditures with estimates of the potential savings that would result from the reforms, and Section 6 briefly examines disability benefits. It is important to note that the information and recommendations presented in this report are still preliminary and will continued to be refined based on dialogue with officials in the Government of Greece.

3. Priority Benefits for Rationalization and Reformulation

This section provides an overview of the social protection landscape in Greece, and places the benefits identified in

Table **1** within the context of other benefits received by the same target group. A fuller description of the benefits, the number of beneficiaries, expenditures, and eligibility details appears in Annex 1.[5] In addition, Annex 7 presents the "universe" of benefits per function presented below along with the benefits recommended for consolidation/rationalization[6].

The major categories of social protection benefits in Greece are: pensions; other old-age benefits and services; non-contributory disability benefits; family and child benefits; unemployment benefits; heating and housing benefits; and other social assistance benefits. In this section, each of these categories is examined briefly in turn and the benefits that are recommended for rationalization/consolidation are placed in context within the category, including the extent of the consolidation, as measured by fraction of expenditure suggested for rationalization/consolidation relative to the total expenditures on that particular function of social protection.

3.1. Old Age Benefits and Services

Old Age Benefits and Services are made up of contributory retirement and survivor pensions as well non-contributory cash programs targeted at the elderly and some in-kind benefits.

3.1.1. Pensions

The primary purpose of pensions in Greece, as in other EU countries, is to provide a replacement for income after people retire. Pension coverage is high in Greece with 87.8 percent of people aged 65 or over receiving retirement or survivors' pensions, but it is lower than in the rest of the EU (average of 94.8 percent) and the rest of the Eurozone (average of 92.9 percent). There are many more early retirees in Greece than in the rest of the Eurozone – around 19 percent of people aged 50 to 59 are pensioners in Greece compared with only 10 percent in other EU or Eurozone countries.

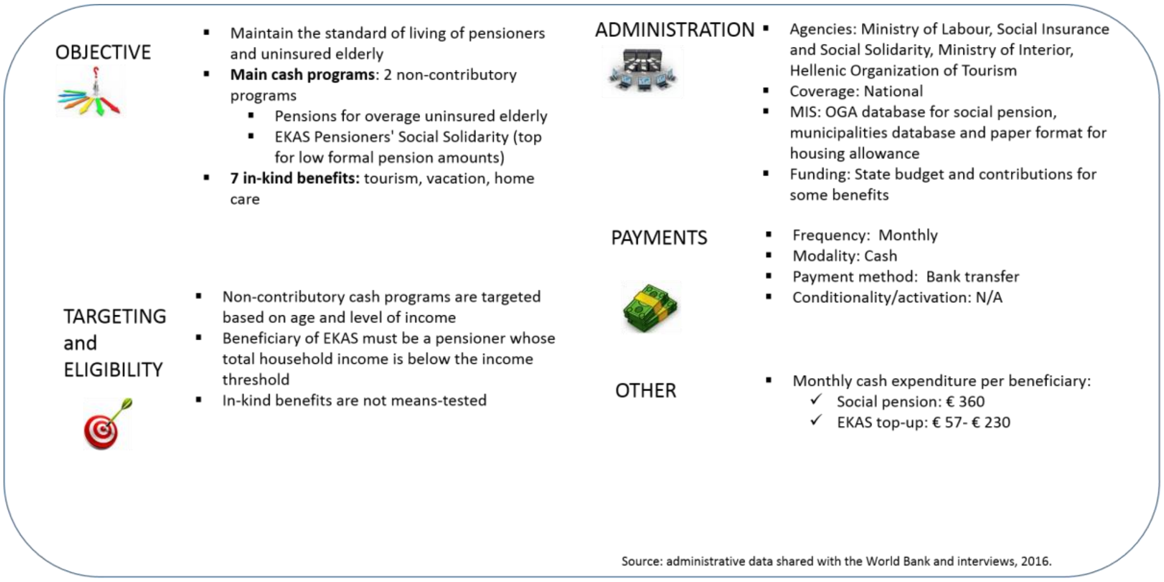
Expenditures on pensions are high, but pensions do not reduce poverty much among other age groups apart from the elderly. A total of about 17 percent of GDP is spent on pensions in Greece, with contributions covering little more than half of these expenditures. Deficit financing of the pension system is high, at about 9 percent of GDP. There are multiple types of retirement pensions including main pensions, supplementary pensions, auxiliary pensions, and monthly dividends (for the total list of 28 types of pensions, please see Annex 7). About 43 percent of households in Greece receive at least one pension, with 9.2 percent receiving two or more pensions. Only 12.2 percent of children aged 14 and under live in the same household as a pensioner, and the average size of households that receive a pension is smaller than households that receive no pensions. Thus, while pensions do reduce poverty among the elderly, they do not necessarily also reduce poverty among other age groups.

[5] We are still awaiting clarification on the details of some of the benefits. Annex 1 presents additional information on the benefits selected for rationalization / consolidation along with details such as the associated law numbers, number of beneficiaries, etc., where available.

[6] Note that this "universe" of benefits is developed from the administrative data obtained from the GAO.

3.1.2. Other Old Age Benefits and Services

Figure 3: Characteristics of Other Old Age Benefits and Services



Source: Administrative data shared with the World Bank and interviews, 2016

The main characteristics of other old age benefits and services are outlined in **Figure 3**. There are two main non-contributory cash transfer programs:

- The *pension for the overage elderly* covers those aged 67 and over who are ineligible for a pension. Recipients' annual personal taxable income cannot exceed EUR 4,320, and their annual family taxable income cannot exceed EUR 8,640. The benefit is EUR 360 per month. According to administrative data, the program benefited 31,000 people aged 67 and above. The benefit amount is 4,320 EUR per annum and is granted by OGA. The HBS 2014 only captures one recipient of this benefit and therefore no distributional analysis is possible. Simulation based on the HBS 2014 (more information about the simulation is detailed in Annex A of the SWR Output B1 B2 B3) shows that the social pension would cover around 10 percent of the uninsured elderly aged 67 and above, and 55.5 percent of the uninsured elderly who are at risk of poverty.
- The *EKAS benefit (social solidarity allowance for pensioners)* covers old age or disability pensioners with annual net incomes up to EUR 8,472, annual taxable incomes up to EUR 9,884, and family taxable incomes up to EUR 15,380. The benefit tops up their pension income. Given the threshold is relatively high (individual income of 8,472.09 EUR) and that a majority of pensioners are in the upper quintiles, this top-up benefit goes more toward the elderly in the middle of the distribution – 42 percent of the beneficiaries are in the second quintile and 29.7 percent are in the third quintile. This is also because many of the elderly in the bottom quintile (32.1 percent) are not part of the contributory pension system and are ineligible. This benefit will be phased out over the next few years.

A very small housing benefit is provided to the uninsured elderly (aged 65 and over) who live in a rented residence and have annual income up to EUR 6,000 (or EUR 7,800 for two applicants or EUR 9,360 for a couple with one child). The average benefit is EUR 287 per month, up to a maximum of EUR 360 per month. There are very few beneficiaries for this housing benefit. In addition, there are several in-kind benefits that mainly cover home care, thermal cure camps, and tourism programs (for a list, see Annex 7).

Tourism for All – the 3rd Age

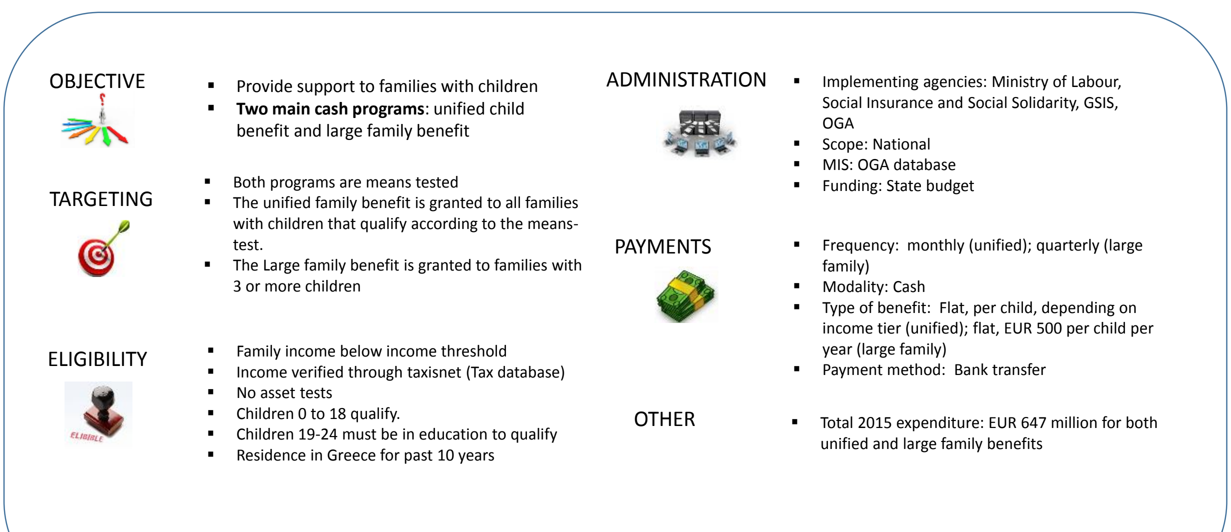
This is an in-kind benefit administered by the Greek National Tourism Organization (EOT). The program provides vouchers for six-day holidays to the insured and their family members who, regardless of income, are: (i) 60 years and over; (ii) not retired because of age or disability; and (iii) not entitled to other similar social tourism programs provided by the Manpower Employment Organization (OAED), the Agricultural Insurance Organization (OGA), or the Insurance Fund for lawyers. In 2014, 5,000 vouchers were distributed. This program costs EUR 475,000 in 2014. The main objective of this program seems to be the promotion of local businesses. We recommend that this benefit be consolidated with other in-kind tourism vouchers of this nature (which will be outlined in later sections of this report) per criterion 1 (lack of focus on 'need' and ability to target) and criterion 3 (tackling fragmentation and duplication). *Note – this program may already have been abolished according to recent information obtained from the government*.

3.2. Family Benefits and Services

Family and child benefits are dominated by two programs, the Unified Child Benefit and the Large Family Benefit. There are several other (smaller and more fragmented) family benefits described in greater detail in section 3.2.2.

3.2.1. Unified Child Benefit and Large Family Benefit

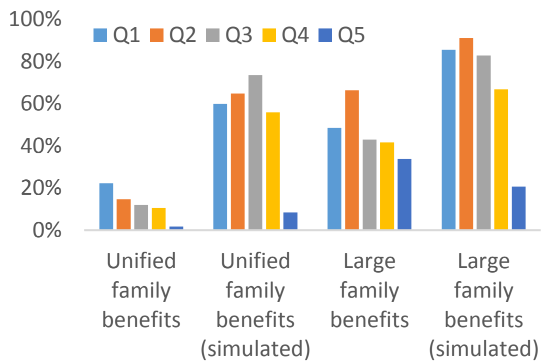
Figure 4: Characteristics of the Unified Child Benefit and the Large Family Benefit



Source: World Bank staff calculations based on 2014 HBS; administrative data shared with the World Bank and interviews, 2016.

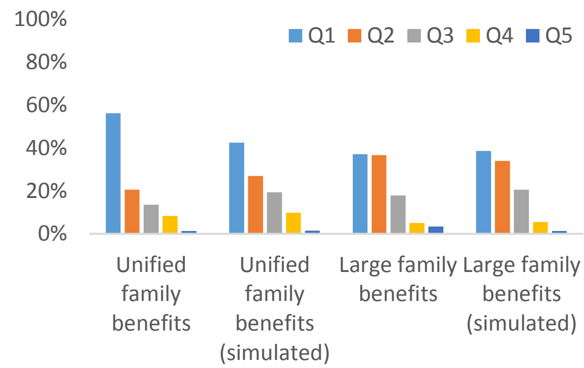
Both the Unified Child Benefit as well as the Large Family Benefit are means-tested, they have good targeting, but there are still gaps in terms of their coverage and leakages to higher income groups. Up to 56 percent of the Unified Child Benefit accrues to families in the poorest quintile; this is lower for the Large Family Benefit, where only 37 percent of the benefit goes to the first quintile (Figure 6). Given the relatively generous threshold for the large family benefit, it is not surprising that 34 percent of families in the top quintile receive this benefit. By comparison, only 2 percent of families in the top quintile receive the unified family benefit.

Figure 5. Coverage of family benefits among households with children



Source: Greece HBS 2014. Note: "Simulated" receipts of the two programs based on their rules and administrative records.

Figure 6. Targeting accuracy of family benefits among households with children

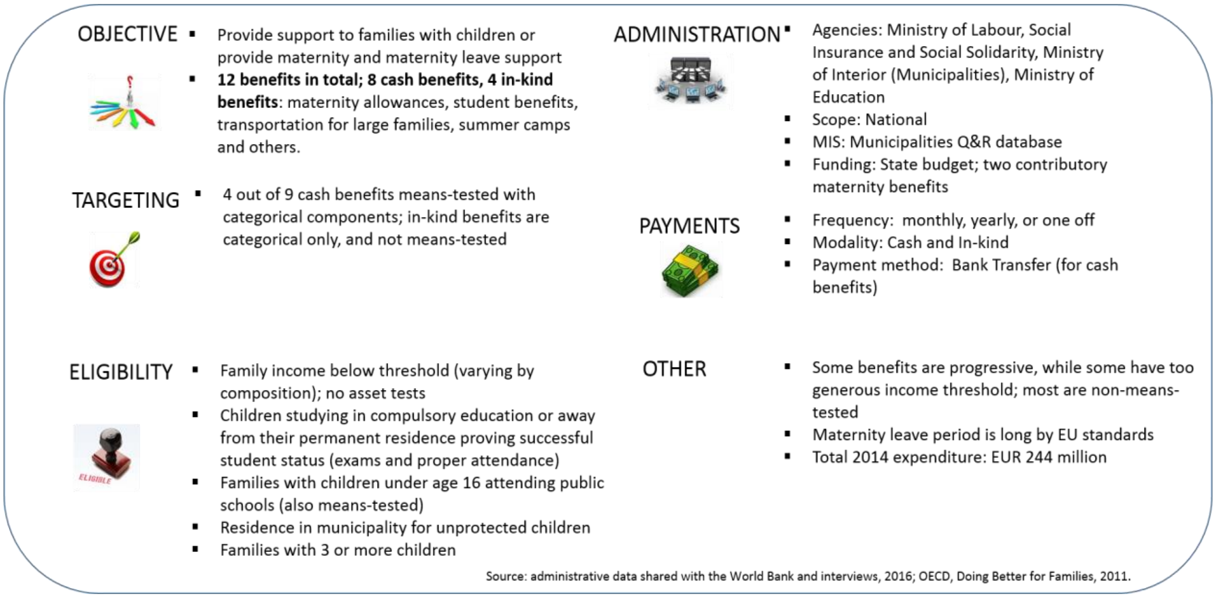


Source: Greece HBS 2014. Note: "Simulated" receipts of the two programs based on their rules and administrative records.

This report suggests consolidation of these two benefits in order to focus more on need (Criterion 1), improve equity and fairness (Criterion 2) so that all poor children (whether in smaller or larger families) are treated similarly, and tackle fragmentation (Criterion 3). Section 4 of this report contains detailed recommendations, simulations, and distributional impacts of various scenarios for consolidation of these benefits. This report recommends that Scenario 4 with adjusted equivalized thresholds (see Section 4) be chosen, resulting in net savings of some EUR 35 million from this consolidation (see Table 10).

3.2.2. Other Family and Child Benefits

Figure 7: Other Family and Child Benefits



Source: World Bank staff calculations based on 2014 HBS; administrative data shared with the World Bank and interviews, 2016.

There are 12 other family and child benefits, most of which are small, with poorly defined objectives (or objectives that overlap with the larger means-tested family benefit program), with low expenditures, and few beneficiaries. These include programs such as transportation cards for large families, income allowance for families with children who study away from home, supplementary pregnancy and postnatal benefits, supplementary maternity protection benefits, state camps for children and wedding allowances among others (see Annex 7 for a complete list). We recommend that several of these programs be consolidated and that some should be reformulated.

Transportation Benefit for Large Families (KTEL buses)

There are a number of transportation subsidies on various modes of transport (buses, metros, rail) for various groups (including large families, people with disabilities, people who are currently unemployed, and so on). This report recommends that all transportation subsidies and benefits be comprehensively reviewed as part of the upcoming spending reviews that the Government of Greece plans to conduct. The SWR report focuses on specific benefits that are part of the social welfare system, including the Transportation Benefit for Large Families, which is an in-kind benefit for families with 4 or more children.

The Greek Confederation of Families with Many Children, a civil society organization, determines eligibility for receipt of the credential showing large family status. Showing the credential entitles the holders to a discount on all public transportation in the country of approximately 50 percent. Families must have four or more children or must be headed by a widowed parent to qualify for the benefit. Children have to be under 23 years of age, and female children must be unmarried. If disabled, the applicant is entitled to both of the transportation benefits (the large family and disability transportation benefits). According to information from the Directorate of Family Protection, about 1 million transportation cards used to be issued every year, but that number has increased in the past two years.

The rationale behind our recommendation to rationalize this program is, first, that the benefit is not targeted to low-income households and second, the current delivery channels for the benefit make it very difficult for the Ministry of Labor, Social Insurance, and Social Solidarity (MoLSISS) to control error and fraud or over-charging by the transportation companies (Criterion 1). There seems to be little control over whether either the eligibility determination process or the bills presented by the transport companies are consistent with the initial budget allocation or the program's rules. No *ex-post* audits are carried out either of the eligibility determination process, age limits or of the bills presented by the transport companies. We also recommend rationalization of this benefit to reduce fragmentation (Criterion 3)

Income Support for Low-income Families and Children Enrolled in Compulsory Education

The income allowance for children attending compulsory education is also targeted to poor families, so this benefit overlaps with the targeted family allowance and the SSI. It is also not well structured to serve as an incentive against student dropout as it is provided as a lump sum after the end of the school year against a certificate of good performance just for that year and the benefit level (EUR 300 per year) is the same regardless of the student's grade level. Neither the benefit amount nor the income threshold have been adjusted since 2002. Coverage is low, with only 5,012 children beneficiaries in 2015. The average benefit received according to the spending levels is a little less than EUR 300 per family.

Without an analysis of the specific issues related to school drop-out (how extensive, at which grades, etc.) it is not clear that the benefit is designed to achieve its objective. We are recommending that this program be rationalized with the roll-out of the GMI per Criterion 1 and Criterion 3. The design of the benefit is poor, and it is not clear whether it is supposed to be addressing a specific constraint (such as high dropout rates in particular grades). For purposes of comparison, we looked at the amount currently paid out by the Mexico Conditional Cash Transfer (CCT) and how this has affected school attendance. The cash transfers are paid bi-monthly to families and do not include an upfront lump sum for school supplies. For primary students, the amount of the transfer ranges from USD 108 to USD 216 annually depending on the child's grade and gender. The amounts paid out for post-primary students in Mexico are higher than in Greece. For secondary school students in Mexico, the annual amount ranges from USD 324 to USD 420, and for the last grades of secondary, it ranges from USD 540 to USD 708. There is also a substantial lump sum payment if the student graduates from upper secondary school. The amounts of the transfers for CCTs not only in Mexico but also in Brazil and other countries are adjusted annually. Nearly all countries provide higher transfer levels for the secondary level than for the primary level, because that is where the chance of dropout is higher. Since the benefit design may not be effective and since it is duplicative with support given by the means-tested family benefits and the GMI, we recommend that it should be consolidated.

Unprotected Child Benefit

The unprotected child benefit is targeted to poor families, is administered by municipalities, and is funded by the Ministry of Interior. This benefit is provided to children aged 16 and under. It is granted to low-income families that are either single-parent families (due to death, abandonment, imprisonment for more than three months, military service or children out of wedlock, with a disability of 67 percent and above) or that have undertaken the custody of orphan children that are their relatives (i.e. it does not cover foster families in case of adoption). The income threshold (EUR 2,820 per year, increased by EUR 250 per household member if there are more than three members in the family) and the benefit amount (EUR 44.02 per month) have remained unchanged since 1997. In 2015, 13,314 children were covered. In 2015, the average benefit amount was EUR 400 per child.

In light of the introduction of the means-tested Unified Child Benefit in 2013, and the forthcoming roll-out of the SSI, this benefit seems to be a duplication, so we suggest that it should be consolidated (per Criterion 3). The control mechanisms are stronger for the Unified Child Benefit and its eligibility determination process is more reliable. This benefit qualifies for rationalization also under Criterion 1, as the implementation quality is poor.

Note that the SWR recommends a review of all municipal and regional provided benefits (in addition to those identified in this report) to examine their objective. It would be useful to streamline several very small benefits that may be duplicative given the introduction in recent years of the means-tested child benefits and the SSI.

Family Benefits and Wedding Allowances

This category of benefits (listed under one KAE code) has two constituent parts. The larger of the two parts of the benefit is given by OAED, and it constitutes a standard family benefit that was originally legislated through LD 3868/1958, the beneficiaries of which were private sector employees that did not receive a family benefit through their employment contracts. This benefit and the special account through which it was financed were abolished through Law 4254/2014. The smaller of the two parts of the benefit refers to a non-means-tested wedding allowance that is paid at the wedding of insured children of employees in the armed forces. According to the statutory provisions of the Armed Forces' Dividend Funds, their employees are subject to an extra contribution and the amount that is gathered is given to their children once an age threshold is reached. In the interest of harmonizing contributions as well as benefits for Social Security Fund, this report recommends rationalization of the contributions as well as the benefits associated for these wedding allowances. This is recommended on the basis of Criterion 1, Criterion 2, as well as Criterion 3.

State Camp Program for Children

Each year, children from families with low income are hosted in children's camps of the State Camp Program, which since 2011 operates under the responsibility of the Ministry of Interior. The relevant expenditure is covered by the regular budget of the MoLSISS.

This report suggests rationalization of all camp programs (OAED Summer Camps, Summer Camps subsidized by various Social Security Funds) in order to reduce fragmentation as well as duplication (Criterion 3). The implementation of these programs are not very strong, and rationalization is recommended also according to Criterion 1.

Special Maternity Protection Benefit

In addition to the benefits that we recommend for rationalization, there is potential to reformulate some of the other family and child benefits. For instance, the special maternity protection benefit is a deficit-financed benefit for insured mothers so we suggest that it be reviewed for financial sustainability. This benefit provides allowance for mothers insured by IKA-ETAM (the main insurance fund) during their maternity leave. During this maternity leave, the insured woman is granted 50 percent of the imputed daily wage of the insurance class to which she belongs, on the basis of the average earnings of the last 30 days of the previous year, as well as a child allowance (10 percent for each child and up to 40 percent maximum). *OAED pays a supplementary amount to ensure the mother's income reaches the level before she goes on maternity leave*. Expenditure on the special maternity protection benefit was about EUR 66 million in 2014 and increased to EUR 71 million in 2015. An analysis of the survey data shows that very few people benefited (directly and indirectly) from this benefit which is aligned with the administrative record of 26,000 mothers directly receiving the benefit. Given that the benefit is not means-tested, receipt is concentrated almost exclusively in the top 60 percent of the income distribution. The rationale behind rationalizing/reformulating this benefit is that it is deficit financed from general revenues. We recommend that the benefit be reviewed for financial sustainability and redesigned to balance the contribution rate with the benefit rate to reduce the level of deficit financing.

Income Allowance for Families with Children who Study Away from Home

A second example is the income allowance for families with children who study away from home. In 2014 the student housing benefit scheme had 48,700 beneficiaries (36,144 beneficiaries in 2015) and cost EUR 49 million (EUR 36 million in 2015). The Ministry of Education plans the policy and budget for the program, and people apply through university welfare offices. Beneficiaries are then paid by the Fiscal Control Officers at the region. The benefit amount is a lump sum of EUR 1,000 per year. The student housing benefit is given to undergraduate students enrolled in universities (AEI) or higher education technical institutes (TEI) schools with a family income of less than EUR 30,000, a threshold that can be increased by EUR 3,000 for each additional dependent child. Even though this program is mean-tested, the income threshold is so high that there are families in the ninth decile who benefit from the program. Furthermore, since richer households may be more likely to have their children going to higher education in main cities away from home, they may actually be able to benefit more. Indeed, the survey analysis reveals that more people above the median income benefit than those below. Similarly, targeting accuracy is low, with only 46 percent of the benefits going to the poorest 50 percent. Therefore, we suggest that this benefit either be rationalized (as it leads to fragmentation), or be reformulated with a more restrictive income threshold. This would not only contain spending but also improve the targeting of the benefit.

Other education expenditures (KAE code 0549)

This benefit provides housing and food allowance to students in technical secondary schools. The Ministry of Education is the budget holder, while OAED is the administrator of the benefit. The eligibility criteria for this allowance is: (1) the parents of the students live far from the city where the secondary technical school is located, (2) there is no other secondary technical school closer to their parents' residence, (3) they have not been expelled for missing class due to health reasons, (4) they are less than 21 years old at the time of application, (5) in rare exceptional cases the above mentioned criteria can be disregarded for social protection reasons according to social investigation and provided that the OAED Director agrees.

Students who are eligible for the housing allowance are also eligible for the food allowance, provided additionally that (1) they are not absent from class without reason, (2) they have not exceeded the number of absent days without reason, (3) they are not employed, because the technical secondary school has not placed them to an internship and not because they don't want to. Students of both years who live with their parents and work in a relevant technical job, but the technical school is in a different town from their residence, are entitled to food allowance only on the days that they have classes or internship, provided they are not absent. The average benefit amounts are 120 euros per month for housing allowance, and 6.30 euros per day for food allowance. The expenditure amount was about EUR 2.5 million in 2014 that increased to EUR 3.4 million in 2015. We recommend that this benefit either be rationalized (to reduce fragmentation) or reformulated to introduce a means-test.

3.3. Disability Benefits and Services

Figure 8: Characteristics of Disability Benefits and Services

ADMINISTRATION

- 16 different cash programs for strictly defined disabilities: 10 by Municipalities, 1 by Region, 5 by SSF, 1 by State
- 8 different in-kind programs for transportation, summer camps, care homes, devices: 2 by Municipalities, 1 by Region, 5 by State
- Agency: Department for Social Inclusion of Persons with Disabilities.
- Level: Transfers to the individual
- MIS: Q&R database, paper for in-kind
- Funding: State budget

- Agencies: Ministry of Labour, Social Insurance and Social Solidarity, Ministry of Interior (Municipalities and Regions), Social Security Funds

PAYMENTS

- Frequency: Monthly cash allowances and holiday bonuses 2-3 times per year
- Type of benefit: Flat

TARGETING

- Group: Persons with disabilities
- Conditions: Disability assessment and certification
- Most benefits are not means-tested
- Means-testing for transportation with some exceptions

Source: Administrative data shared with the World Bank and interviews, 2016.

Section 6 of this report looks at the provision of disability benefits in Greece and a forthcoming paper presents a detailed review of the disability benefits system and makes recommendations aimed at reducing fragmentation and basing the identification of disability on a person's functionality rather than his or her medical conditions. We restrict our attention here to those disability benefits recommended for rationalization or reformulation (for a full list of disability benefits, please see Annex 7).

Supplementary Invalidity Pensions due to Total Disability and Supplement to Pension Due to Blindness

The pension that is paid to pensioners by reason of disability is increased by 50 percent if they are permanently in need of supervision, care, and the assistance of another person. Exceptionally, this supplementary invalidity pension is also granted to blind pensioners who are receiving old age pension. The beneficiary must be more than 80 percent disabled, and the benefit does not increase if the person's disability becomes more severe.

The rationale for consolidating this benefit is as follows. First, it is a non-contributory benefit financed from the state budget, although it is available only to insured disabled pensioners and old age pensioners who are blind. Beneficiaries of disability assistance (as opposed to disability pensions) with similar needs have no corresponding benefit. Also, the benefit is not targeted based on the functionality of the disabled person. The Social Welfare Review recommends reviewing how eligibility is determined for disability pensions as well as disability benefits (in forthcoming paper on disability benefits) as it is unclear that the current system correctly identifies the truly disabled. In the light of such a review, we recommend that this benefit either be rationalized, or become more tailored to the care needs based on the functionality of the disabled individual and be made available equitably to both insured and uninsured populations. If the government decides to continue providing this benefit, we suggest that the benefit be redesigned to balance the contribution rate with the benefit rate to eliminate the need for the state to finance this benefit. It was not feasible to carry out **a** distributional analysis of this benefit due to the very small number of beneficiaries of this program[7].

Extra Institutional Handicap Benefit

Insured persons and pensioners, as well as members of their families who are at least 67 percent disabled by particular diseases, are entitled to this monthly extra-institutional allowance. Since January 1, 2013, beneficiaries of the extra-institutional allowance have also received public holiday bonuses and vacation bonuses, which increase the monthly extra-institutional allowance. In addition, this allowance is excluded from the withholding rules that are applicable to other pension benefits. The average extra institutional handicap benefit is more than EUR 700 per month, per beneficiary. The expenditure for the extra-institutional handicap benefit increased from EUR 174 million in 2014 to EUR 186 million in 2015 and the number of beneficiaries increased from 16,800 in 2013 to 20,200 in 2015.

The rationale for consolidating this benefit is as follows. It is non-contributory and financed from the state budget, although it is available only to insured persons, pensioners, and members of their families. Beneficiaries of disability assistance (as opposed to disability pensions) with similar conditions have no corresponding benefit. The Social Welfare Review recommends reviewing how eligibility is determined for disability pensions as well as disability benefits (in forthcoming paper on disability benefits) as it is unclear that the current system correctly identifies the truly disabled or meets any additional care needs based on a person’s lack of functionality. In the light of such a review, we recommend that this benefit be rationalized or become more tailored to the care needs based on the functionality of the disabled individual and be made available equitably to both insured and uninsured populations. If the government decides to continue providing this benefit, we suggest that the benefit be redesigned to balance the contribution rate with the benefit rate to eliminate the need for the state to finance this benefit. It was not feasible to carry out a distributional analysis of this benefit using survey data due to the small number of beneficiaries of this program.

Vacation Benefits for Pensioners with Disabilities

Vacation benefits for disabled pensioners are a contributory benefit that is not means-tested. Four SSFs (OAED, OAEE, IKA and ETAP-MME) provide this benefit to the insured who have a disability of 80 percent

[7] Potentially tax data could be analyzed to examine distributional impacts. However the SWR team did not get access to requested tax data.

and above. They equal half of the monthly disability benefit. This amount is distributed equally throughout the year as an addition to the monthly pension. There are exemptions for certain disabled persons: those who qualify for the extra-institutional disability and have disability of 67 percent and above.

We understand that such benefits have largely been abolished except for pensioners with disabilities, and it is not clear why they should not to fully abolished. There are 6 observations for this benefit in the HBS, distributional analysis is not feasible.

Holiday Benefits for Pensioners with Disabilities

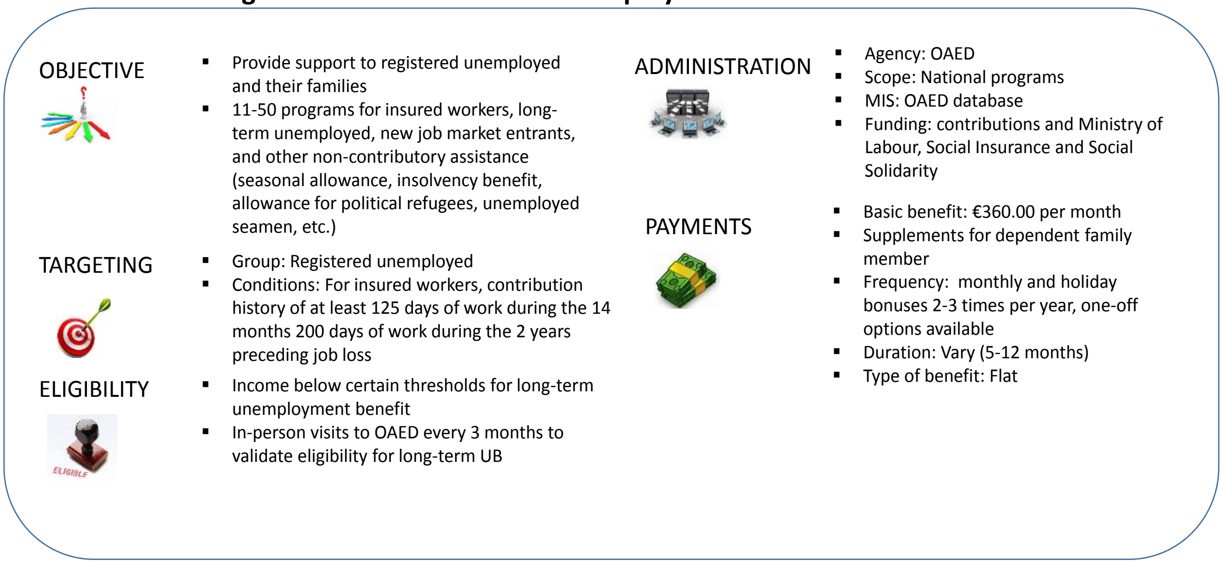
These are a contributory, non-means-tested benefit paid at Christmas and Easter that are given only to pensioners with disabilities of the OAEE (the Insurance Fund of Freelance Professionals), IKA-ETAM (the Social Security Fund for Employees), and ETAP-MME (the Social Security Fund for Media Staff). In 2015, there were 14,600 beneficiaries. The Christmas benefit is equal to a full monthly disability benefit, while the Easter benefit is equal to half of the monthly disability benefit. There are exemptions for certain disabled persons: those who qualify for the extra-institutional disability and have disability of 67 percent or more. See Table 1 for full breakdown of expenditures by year and by SSF. This holiday benefit has been eliminated for all except for pensioners with disabilities, and it is not clear why they should not be fully abolished.

Camp program for disabled

Similar to other subsidized camp benefits (this report recommends abolishing all such subsized camp benefits given by various SSFs and OAED), the camp program for disabled is an in-kind non-contributory and non-means tested program. In 2013, there were about 3,000 beneficiaries. The eligibility rules and program details are unclear. This benefit is proposed for consolidation because it contributes to fragmentation (per Criterion 3). It is also not clear that such benefits are part of the Social Protection System (typically such benefits, if they exist, may be part of non-wage compensation, rather than social insurance). See Annex 1 for legislation and further details.

3.4. Unemployment Benefits and Services

Figure 9: Characteristics of Unemployment Benefits and Services



Source: Administrative data shared with the World Bank and interviews, 2016.

The main unemployment benefit in Greece is the full unemployment allowance, which is an insurance scheme. The benefit amount is a flat EUR 360 per month. In addition, a long-term unemployment allowance program exists to extend the period of coverage beyond the length of the regular unemployment subsidy, but only insured people qualify and coverage is low. In addition to these two main unemployment benefits, there are several small special unemployment benefit programs that contribute to the fragmentation of the system. These benefits are delivered by the OAED to diverse categories of unemployed, but none covers more than 4,000 individuals. They include special allowances such as emergency financial assistance, a special allowance after the end of the right to the unemployment insurance benefit, special assistance after three months of unemployment (for those having only 60 days of insurance records in the year preceding unemployment), special financial assistance for released prisoners, a special seasonal allowance, a special benefit in case of an employer's insolvency, a conscription allowance, a financial allowance for political refugees, an allowance for young professionals, an administrative leave allowance, an allowance for returning expatriates, a special allowance for children above 16 years of age who leave special centers, and an allowance for unemployed seamen. Annex 7 presents a list of seven unemployment benefits based on budget code that aggregates a list of about 50 benefits[8].

Unemployment Benefit for Those Entering the Labor Market

This is a non-contributory unemployment benefit paid to 20-year-olds and graduates. Individuals need to have been unemployed for more than a year, and this benefit is not means-tested. The number of beneficiaries is very small – 4,800 in 2014 and 5,500 in 2016. The budgeted amount for 2016 has risen to

[8] The large number of benefits cited in Figure 15 come from OAED administrative data that break down further the aggregated unemployment benefits listed in Annex 7.

EUR 2 million. The benefit amount is EUR 73 per month for five months. There are several reasons for recommending this program for consolidation. It is a small passive benefit, it contributes to the fragmentation of the system, and it increases the administrative burden of the OAED. We recommend that this benefit be consolidated given that larger programs for the unemployed that are currently under consideration will include more activation elements.

Benefit for the Long-term Unemployed

The benefit for the long-term unemployed was introduced in 2001. Important changes in its targeting were implemented in 2012 and 2014. Eligibility now depends on being unemployed for more than 12 months and then exhausting the right to the "regular" insurance-based unemployment benefit. The beneficiary must have paid contributions for two years. Between 2001 and 2012 the benefit was targeted to long-term unemployed people older than 45 years of age. Since 2012, the benefit has been targeted to recipients ranging from 20 to 65 years old. The allowance is means-tested. In January 2012, the income threshold that determines eligibility was increased to EUR 12,000 per unemployed person and by EUR 587 for each dependent child. However, in January 2014, the income threshold was adjusted downwards to EUR 10,000. The benefit is paid at a flat rate of EUR 200 per month for up to 12 months and is subject to income tax for those whose annual personal income amounts to over EUR 30,000.

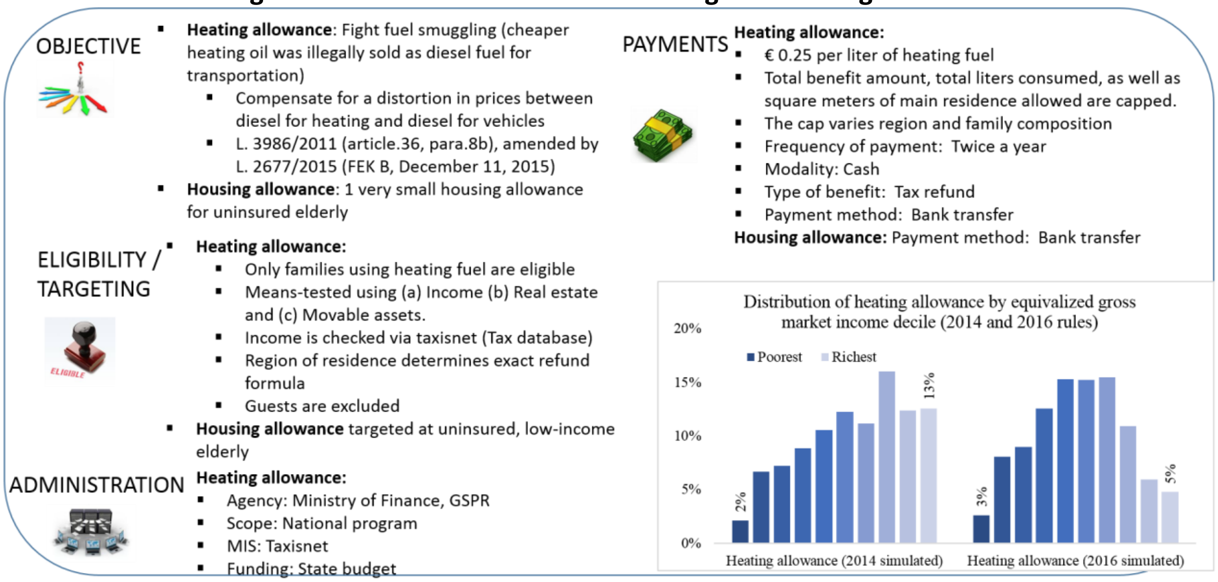
As a means-tested program, it is well targeted toward the poor. However, its coverage is very limited and it contributes to the fragmentation of the social protection system. According to administrative data, the program had around 37,000 beneficiaries in 2014. Given the introduction of the SSI and given the passive nature of the long-term unemployment benefit, we recommend that this benefit be consolidated.

Holiday Benefits for Unemployed Members of the ETAP-MME the OAED, ETAP-MME, and SSF for Maritime Employees-Oikos Naftou

Certain Social Security Funds continue to provide holiday benefits (additional payments at Christmas and Easter) for unemployed members. Such benefits have been largely abolished, and it is recommended that they be abolished also for unemployment members of all SSFs.

3.5. Housing and Heating Benefits

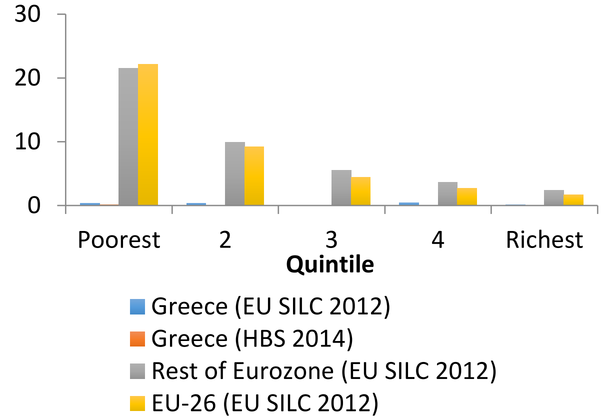
Figure 10: Characteristics of the Housing and Heating Benefits



Source: Administrative data shared with the World Bank and Joint Ministerial Decision, 2016.

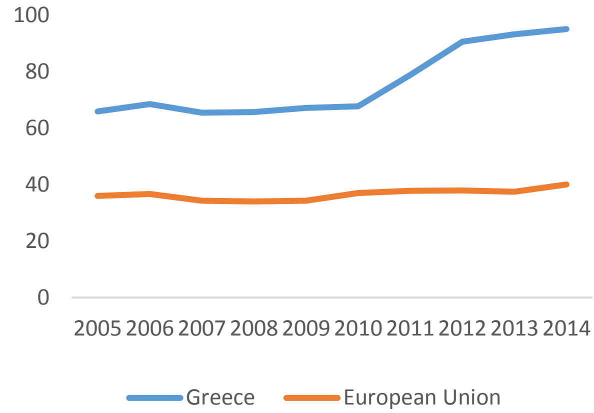
Greece offers very few and fragmented housing benefits with extremely low coverage; particularly in comparison with other EU countries. Housing benefits targeted at the poorest are almost non-existent in Greece and fragmented. By comparison, the rest of the EU covers, on average, about 20 percent of the poorest quintile through housing benefits (see Figure 11). The low coverage of housing benefits means that an increasing share of the population faces pressure from housing-related expenditures (Figure 12). The small existing housing benefit programs in Greece are discussed in greater detail in the overlaps and fragmentation section of SWR deliverable B1 B2 B3.

Figure 11: Coverage of housing benefits is extremely low in Greece



Source: EU-SILC 2013 (covering income year 2012) for all other countries, and HBS 2014 for Greece.
Note: Housing allowance in Greece does not include a large heating allowance as it is not captured in the surveys.

Figure 12. Housing problems among people at risk of poverty are widespread



Source: OECD based on Eurostat data
Note: The at risk of poverty population is defined as those with income below 60% of median equivalised income. Housing problem is proxied by the housing cost overburden rate defined as the percentage of the population living in a household where the total housing costs (net of housing allowances) represent more than 40% of the total disposable household income (net of housing allowances) presented by household type.

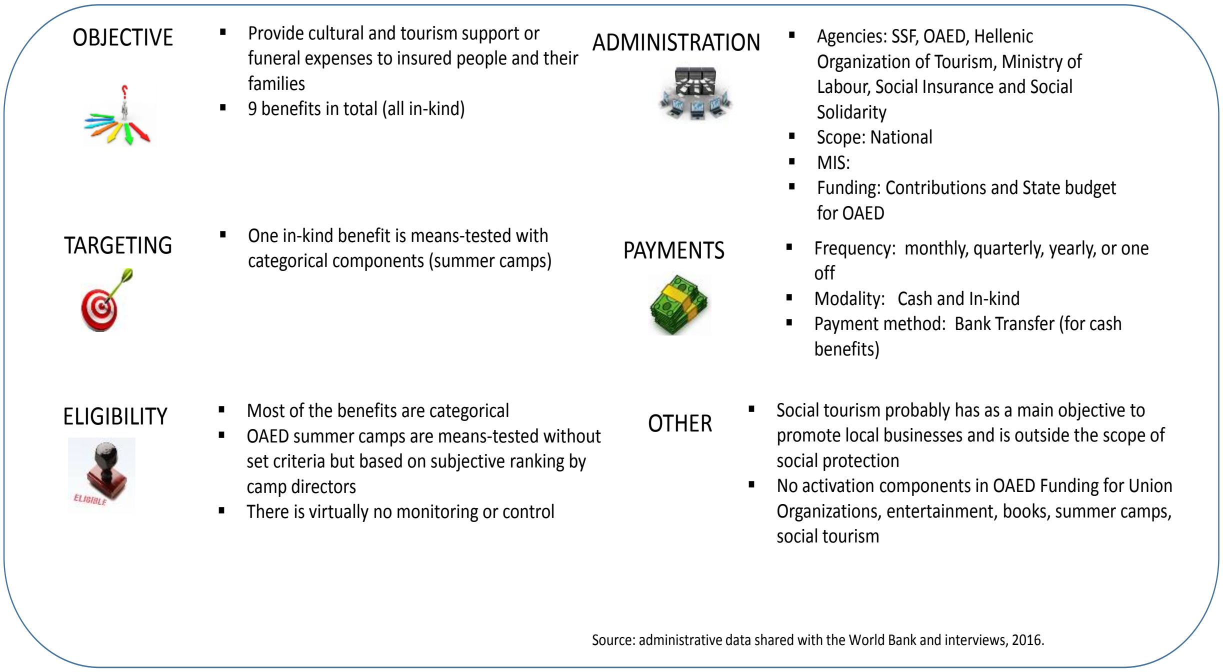
Heating Allowance Benefit

This is a social welfare program almost by accident – it was originally introduced during 2011-2012 to make up for a difference in price between gasoline and heating oil. The initial purpose behind the program was to fight fuel smuggling (cheaper heating oil was being sold illegally as diesel fuel for transportation), and the benefit was designed to reimburse households' expenses. Because of fiscal constraints, income thresholds were introduced and were put into effect from the 2015-2016 winter period onwards to limit the expense of this benefit. Even with income thresholds, the poorest households tend not to receive the benefit (see Figure 10 for the distribution of the benefit amount across deciles). Less than 3 percent of the benefit goes to the poorest decile; and only 25 to 30 percent of total expenditures goes to the poorest 4 deciles. The SWR recommends rationalization of this benefit as it does not seem targeted well based on need (Criterion 1).

There is a need to design appropriate housing benefits so as to protect vulnerable households; this remains a gap in Greece's social safety net. The SWR recommends the introduction of a well designed and well targeted housing benefit provided there is fiscal space for such a benefit.

3.6. Miscellaneous In-kind Social Insurance Benefits

Figure 13: Characteristics of In-kind Social Insurance Benefits



Source: Administrative data shared with the World Bank and interviews, 2016.

Social Tourism Vouchers for Six-day Holidays

This is an in-kind benefit for those insured as entrepreneurs, farmers, self-employed, engineers, doctors, self-employed media staff, nautical employees and pensioners, those who receive pension from IKA through self-insurance, and people who receive welfare benefits even if they are dependents of insured of above-mentioned SSFs. The number of beneficiaries in 2015 was 23,400. The program is administered by the Greek National Tourism Organization (EOT). Similar to the tourism voucher for the elderly, the main objective of this benefit seems to be the promotion of local businesses, so we suggest the rationalization of this benefit (and other tourism benefits) to reduce fragmentation and release fiscal space.

OAED Social Tourism

The OAED Social Tourism benefit is administered by the OAED, but the MoLSISS manages the budget. It is contributory but not means-tested. This benefit provides beneficiaries and their dependents (or chaperons for disabled persons) with a subsidy for hotel costs for between one and five nights in tourist accommodation included in the Registry of OAED Providers. There is a point system based on the eligibility criteria that is used to rank applicants. The eligibility criteria are: (i) having made 50 days of contributions to IKA-ETAM and 0.35 percent contributions to the now abolished housing department (the OEE); (ii) having received at least two months of regular unemployment insurance (50 daily benefits); and (iii) having been registered in the OAED's unemployment disabled registry in addition to 50 days from either (i) or (ii) above, and (iv) insured/employee mothers who received 50 days of special maternity protection

(L3655/2008 art 142, MD 33891/606/09.05.2008/FEK 833 B). The applications are checked using the information systems of the OAED and IKA-ETAM.

Expenditure on this benefit has increased, and it is a distraction from the main purpose of the OAED, as well as an added administrative burden. In addition, its main objective seems to be to promote local businesses, which is outside the scope of social protection. Furthermore, according to media articles,[9] only 30 percent of the beneficiaries of the OAED social tourism benefit have actually used their coupons in recent years. Similar to other tourism benefits, we recommend that this benefit be rationalized.

SSF/OAED Summer Camps

This benefit provides subsidies for summer camps for children and vacation subsidies for employees, unemployed people, and their families. The MoLSISS manages the program's budget, and it is administered by various social security funds including the OAED. Each year the MoLSISS issues a ministerial decision specifying the program's eligibility criteria and details of the application process. In general, it targets the children of insured employees or unemployed, who are not receiving a similar benefit from another organization. Expenditure on this program has increased over time from EUR 5 million in 2014 to EUR 28 million in 2016[10]. It is means-tested and contributory. Children 6 to 16 years of age are eligible and the camps function from mid-June to early September. Beneficiaries include those who in 2014 had family income less than EUR 26,000 and in 2015 had: (a) 50 days of insurance in IKA-ETAM, or (b) received 50 days of the OAED special maternity protection benefit, or (c) received 50 days of the unemployment benefit (two months) or more, or (d) received 50 days cumulative from the categories (a)-(c) above and are registered unemployed with continuous unemployment of four months or more. The selection of beneficiaries is based on a point system. It is estimated that 60,000 children have benefited in 2016.

This is an in-kind benefit with weak implementation procedures (various summer camps individually apply the criteria provided in the ministerial decision for selecting students) and little oversight or monitoring. It is an administrative burden for the social security funds, particularly the OAED, and distracts from the core objectives of those organizations. We propose the rationalization of this benefit, and other benefits of this nature that may still exist through various Social Security Funds.

OAED Funding for Union Organizations

Expenditures on this benefit has increased over time from EUR 12.8 million in 2014) to EUR 15 million in 2016. The OAED is the implementing agency. The Unified Account for Implementation of Social Policies (ELEKP) funds infrastructure, research institutions, educational centers of representative third-degree organization of employees who have signed the national general group employment contracts. The expenditure cannot exceed EUR 15 million per year since 2013. It is not clear what the purpose of this expenditure is and what eligibility criteria are used to administer the benefit. We recommend eliminating it as it distracts from the main purpose of the OAED, which is to foster employment and to support the activation of unemployed workers registered with the OAED.

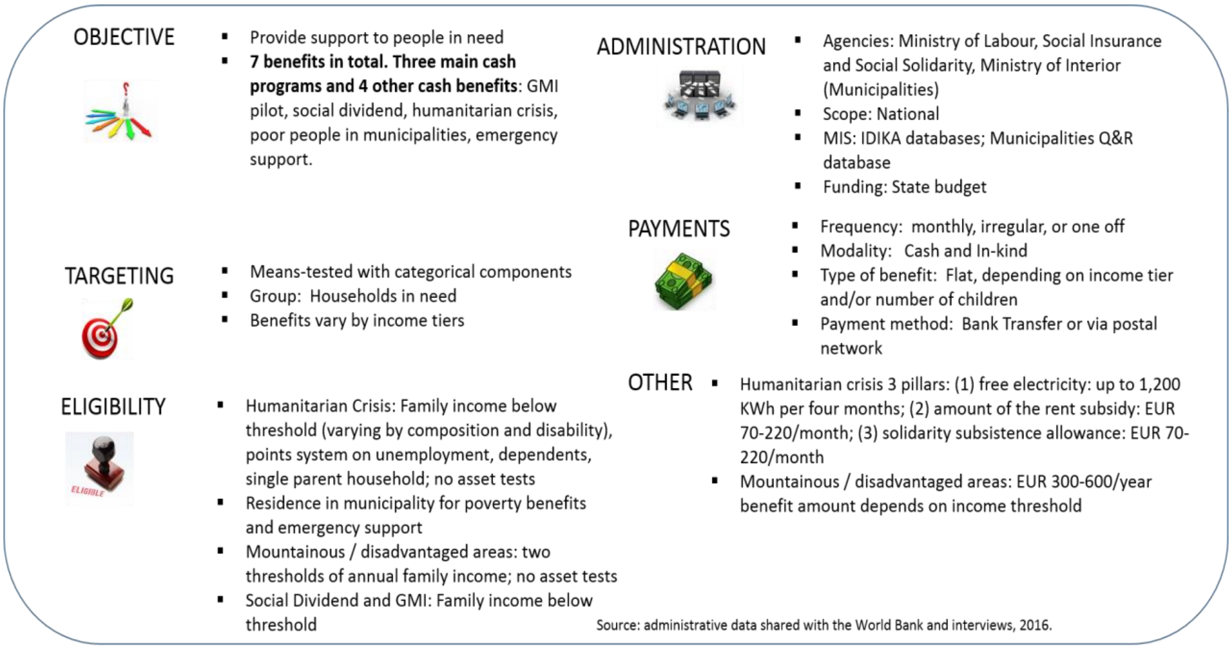
---

[9] http://www.dikaiologitika.gr/eidhseis/ergasiaka/89132/sti-meggeni-ton-perikopon-kai-to-tourismos-gia-olous-tou-eot

[10] This amount refers to commitment but the actual budget may be lower as was in previous years.

3.7. Social Inclusion Benefits

Figure 14: Characteristics of Means-tested Social Inclusion Benefits



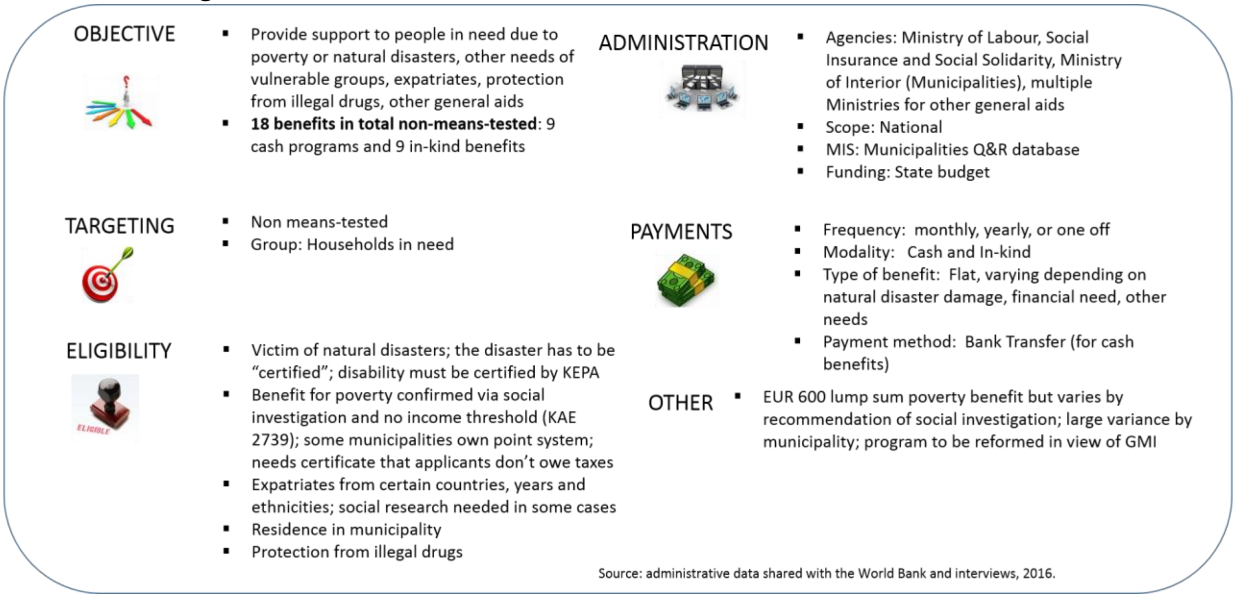
Source: Administrative data shared with the World Bank and interviews, 2016.

Income Support for Households in Mountainous and Disadvantaged Areas with Low Incomes

The benefit for poor households living in mountainous and disadvantaged areas is well targeted but small. The income test is relatively low (annual family income EUR 2,500), hence the payment is meant only for the very poorest. The program is reserved for families of Greek nationals and nationals of EU countries whose members live permanently in mountainous and less-favored areas. The program, therefore, has very limited coverage (0.2 percent of the population), with 95 percent of the beneficiaries in the poorest income decile. The annual aid amounts to EUR 600 for those whose family income is below EUR 1,700 and is EUR 300 for those with income between EUR 1,700 and EUR 2,500. Overall, the Government spent only EUR 1.8 million for this benefit in 2014 and similarly only EUR 1.8 million in 2015.

The benefit should be rationalized when the SSI is rolled out nationally because it has limited coverage and overlaps in scope with the SSI (based on Criterion 3).

Figure 15: Characteristics of Non-means-tested Social Inclusion Benefits



Source: Administrative data shared with the World Bank and interviews, 2016.

The large variety of social inclusion benefits (assistance payments that target different vulnerable groups) reflects the fragmentation of the system. Programs under the social exclusion function target a range of other groups, including repatriated elderly expatriates, those who are incapable of working and the economically vulnerable, refugees, those released from prisons, drug addicts, and alcoholics. Given these broad categorical target groups, not all of the beneficiaries are in the bottom decile (85.6 percent), but all of the beneficiaries are among the poorest 40 percent. Nevertheless, the coverage of these programs is low, with only 0.9 percent of individuals in the poorest decile benefitting from any payment, and the average amount paid out is low, at EUR 420 annually. Not only are there multiple programs with different eligibility criteria and intake processes, they are also managed by multiple entities, making them prone to overlaps and high administrative costs. With the introduction of the SSI, there is the possibility of reducing fragmentation by consolidating several disparate social inclusion programs into the SSI.

Financial Assistance to Homogeneous and Repatriated Greeks

Expenditure on the Financial Assistance for Homogeneous and Repatriated Greeks program was EUR 2.1 million in 2014 and the number of beneficiaries in 2015 was between 5,300 and 5,963. This is a non-contributory benefit. Financial support is provided to repatriated elderly expatriates who are incapable of working and economically vulnerable. The Ministry of Interior manages the budget, and the municipalities administer this benefit. In recent years, there has been an unexpected increase in the number of beneficiaries for this benefit, which might be expected to be gradually declining. The number of beneficiaries rose from 5,963 in 2014 to 8,163 in 2015, a nearly 40 percent increase. The average benefit, which has remained unchanged, is roughly EUR 350 per year. This benefit is aimed at low-income households and thus it clearly overlaps in scope with the SSI program. Therefore, we recommend that the program be eliminated when the SSI is rolled out nationally.

Natural Disaster/Poverty Benefit

The Natural Disaster/Poverty Benefit[11] (budget line 2739/6741.15) is an old program.[12] The MoLSISS is the budget holder. The financing flows for this budget line changed in 2014. Before 2014 expenditures on this budget line was part of the block grant from the Ministry of Interior, but since 2014 this budget is transferred directly to municipalities from the MoLSISS. Two distinct non-contributory, non-means-tested benefits are included in the same budget line: the natural disaster benefit and the poverty benefit. The natural disaster benefit is a lump sum amount for natural disasters that varies according to a point system that takes into account the family size, square meters of house, severity of damage, and whether someone became disabled due to the disaster. The benefit is related to earthquakes, floods and other disasters. The poverty benefit is based on financial need and eligibility is subjective because it is based on a mandatory social investigation conducted by a social worker. It can be up to EUR 600 lump sum but there is a lot of variation across municipalities.

We recommend rationalization of the municipality provided poverty benefit with the national roll-out of the SSI. The recommendation is based on criterion 3, to reduce fragmentation. Both benefits under this budget line are also poorly implemented; as such rationalization/consolidation are also warranted under Criterion 1. First, both benefits are covered in the same budget line and the benefit for poverty tends to be crowded out by the natural disaster poverty. Second, for the time being while applications are accepted, no benefits are being approved for the poverty benefit because the intention is to eliminate it given the SSI (phased rollout. Third, the natural disaster benefit is a bit of a misnomer because a natural disaster does not have to be declared - it would apply for example, in the case of local flooding, etc. The law is vague on how to substantiate that a natural disaster actually occurred and some municipalities are more "proactive" than others in terms of the natural disaster benefit. Municipalities currently have quite a bit of flexibility on approving benefits and on the amounts paid.

Student Transportation Benefit

The benefit for student transportation (KAE budget code 0821)[13] is administered by Regions with an expenditure of EUR 161 million in 2014 that dropped to EUR 139 million in 2015. It is intended for the transportation of young students who live at a distance from school. The provisions for this benefit include bids for private bus companies to transfer students. In addition, parents can transport their students to and from school and get some type of reimbursement. Further, there is a provision for students to use public transportation and get reimbursed. In the Region of Pella the majority of students using the regional buses are kindergarten students and disabled students.

Regions continue to experience implementation issues in contracting private bus companies. Calls for proposals could be issued every year; some of these proposals end up with no bids at all. The SWR recommends examination of the design and implementation of this benefit to identify potential waste and inefficiencies.

---

[11] Natural Disaster/Poverty Benefit (KAE budget code 2739 and 6741.15), legislation L. 57/1973 (FEK 149,A), JMD: Π2/οικ.2673/FEK 1185/B/2001), from Secretariat: FEK 149 A' 1973, FEK 452 B' 2009.

[12] The odd values in euros for the benefit amounts are explained by the fact that conversion is being made from drachmas – the currency of the original legislation.

[13] JMD 24001/2013-FEK 1449 B/14-6-2013

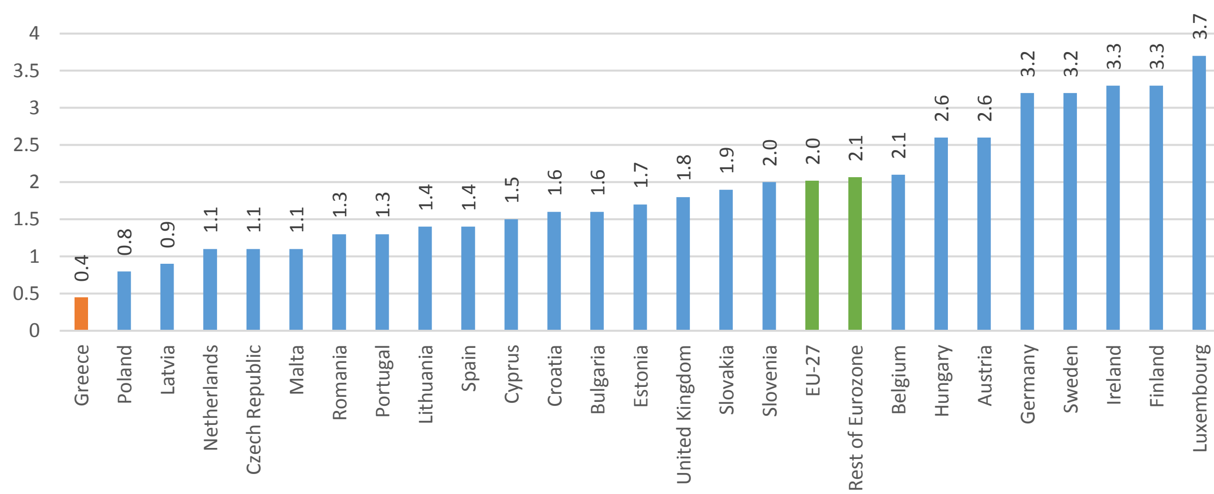
4. Family Benefits

This section discusses consolidation of the Unified Child Benefit and the Large Family Benefit.

4.1. Introduction

Spending on family benefits in Greece, at only 0.4 percent of GDP, is lower than in the rest of the EU, where average spending as a percentage of GDP is about five times higher (see Figure 16).[14] Greece's low expenditure on family benefits is particularly worrisome considering that children under 18 years of age, as well as youth aged 18 to 24, have been particularly badly affected by the economic crisis. The latest EU-SILC survey data show that more than one in four children under 18 and more than one in three youths aged between 18 and 24 were at risk of poverty in 2013. These figures contrast starkly with the 22.1 percent at-risk-of-poverty rate for the total population (see Figure 17).

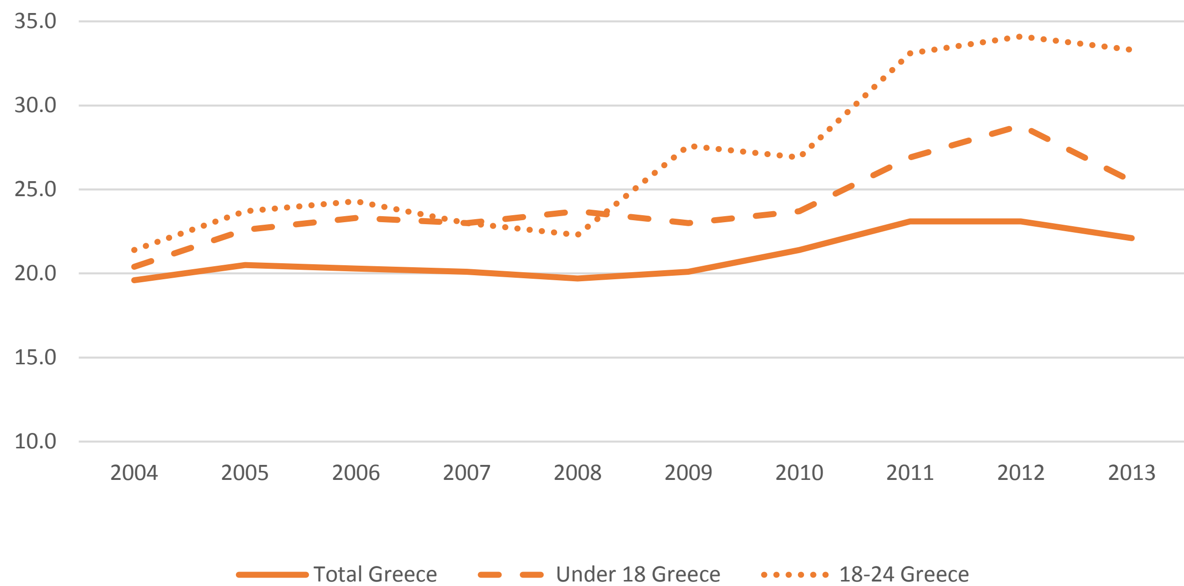
Figure 16: Expenditures on Family Benefits in EU Countries as a Percentage of GDP



Source: World Bank staff calculations based on 2014 GAO data for Greece; 2012 ESPROSS data for EU Member States. EU-27 is a simple average not including Greece.

[14] We appreciate the input of our government counterparts at the Ministry of Finance (Eirini Andriopoulou and Elefterios Tserkezis) and at the Ministry of Labor, Social Insurance, and Social Solidarity (George Planiteros) on an earlier draft of the recommendations on family benefits.

Figure 17: At-risk-of-poverty Rates for Children under 18, Young Adults 18-24, and Total Population of Greece



Source: Eursotat based on EU-SILC survey.
Note: Years refer to income reference periods, which are one year prior to the survey year.

In addition to low spending, family benefits in Greece also suffer from too much fragmentation and duplication, and it is clear that benefits could be further streamlined and consolidated to increase administrative and targeting efficiency.

In this section, we analyze the current family benefits provided in Greece under social assistance. Particular emphasis is placed on the Unified Child and Large Family benefits, for which we make a series of reform recommendations aimed at improving their equity and increasing their adequacy. These recommendations should be seen as part of a broader reform proposal since family and child expenditures are low and poor families with children remain without any guaranteed protection in Greece.

4.2 Main Findings

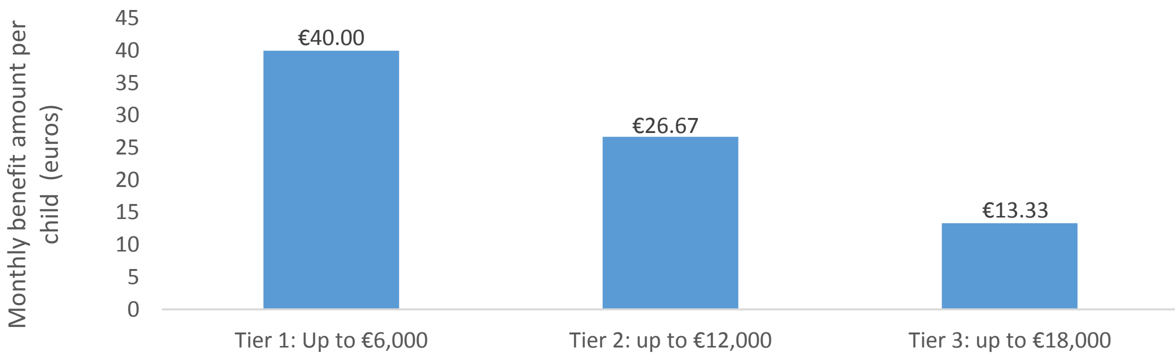
Here we describe the main design features of the Unified Child Benefit and the Large Family Assistance Benefit.

1) **The Unified Child Benefit**: This benefit is paid to families with children up to 18 years of age or up to 24 years of age as long as they remain unmarried and are enrolled in higher education.[15] To qualify, the family must have been continuously living in Greece for the previous 10 years. The benefit is not universal. It is means-tested according to the previous year's tax returns using three income thresholds to implement "cascading" targeting that provides higher benefits to those with

[15] Families with children aged 19 years old age who are enrolled in secondary school may also qualify for the benefit. Children (of any age) with a disability of 67 percent or more or orphans of one or both parents also qualify as dependent children.

lower incomes. Families in the first (poorest) income tier receive the full benefit, which is EUR 40 per month per child. Families in the second tier receive two-thirds of the full benefit, and families in the third tier receive one-third. The equivalence scale used to determine eligibility is skewed heavily against larger families -- the first parent is assigned a weight of 1, the second parent is weighted one-third and each dependent child is weighted as only one-sixth. Figure 18 shows the benefit amounts per child per month for families in each of the three income tiers.

Figure 18: Monthly Amount of Unified Child Benefit Received per Dependent Child by Income Tier



Source: Developed by World Bank staff based on Law 4093/2012 and Law 4110/2013.
Note: Tier income thresholds are expressed in equivalized terms. The equivalence scale used assigns a weight of 1 to the first parent, one-third to the second, and one-sixth to each dependent child of any age.

2) **Large Family Benefit**: A benefit of EUR 500 per child per year (known formally as the Special Allowance for Three-child Families and Large Families) is given to families with three or more dependent children.[16] This benefit is paid on a quarterly basis, and, as of August 2016, a 3.6 percent stamp tax is levied on it, bringing the effective benefit amount to EUR 482 per child per year. Families with three or more children are eligible for the benefit if their family income for the previous tax year was less than EUR 45,000. That threshold is increased by EUR 3,000 for families with four children and by EUR 4,000 for each additional child beyond the fourth. To qualify, the family must also have been living continuously in Greece for the previous 10 years. Qualifying families are granted this benefit in addition to the Unified Child Benefit.

The main characteristic of Greece's social assistance family benefits is that, with the exception of the Unified Child Benefit that was introduced in 2013 and a few small, fragmented benefits, most family benefits are provided to families with three or more children.

Before making recommendations on the consolidation of benefits, it is useful to understand some basic distributional characteristics of such families. Households with dependent children represent one-third of households in Greece (Table 4), and individuals in households with dependent children are more likely to be in the bottom income quintile (Figure 19). This is consistent with the fact that children under the age of 18 and youths aged 18 to 24 tend to be at a higher risk of poverty than the total population. Individuals in households with three or more children are especially more likely to be in the bottom income quintile

[16] The same rules as in the Unified Child Benefit are applied to the definition of dependent children.

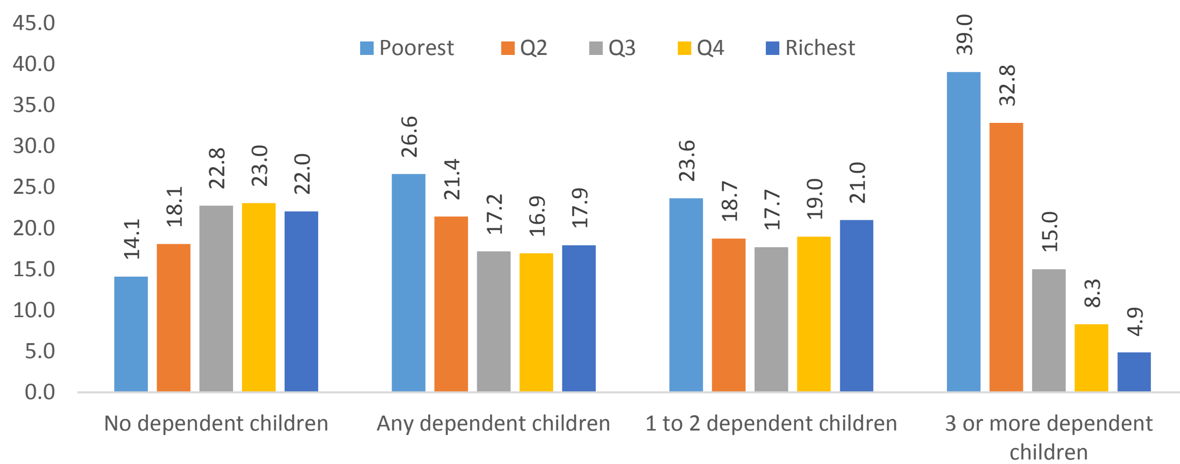
(Figure 19).[17,18] Although households with three or more children appear to be more vulnerable, there are fewer of them than of other families, making up just 12 percent of all households with dependent children. In this context, elevating the incomes of households with one or two children is also important for alleviating child poverty.

Table 4: Distribution of Households by Number of Dependent Children

Household type	No dependent children	Any dependent children	1 to 2 dependent children	3 or more dependent children (only 185 observations)
Percentage of total households	67.0	33.0	28.9	4.1
Percentage of households with dependent children	NA	100.0	87.6	12.4

Source: World Bank staff estimates based on ELSTAT HBS 2014

Figure 19: Percentage of Population in Each Income Quintile According to Household Type



Source: World Bank staff calculations based on ELSTAT HBS 2014
Notes: 1. For the purpose of this exercise, dependent children are defined as any individuals aged 0 to 17 living with at least one parent or, if aged 18 to 24, any individuals who is living with at least one parent, is unmarried, and is attending school or receiving disability benefits. 2. Disposable household income was calculated before family benefits and was equivalized using the OECD modified scale used by ELSTAT to estimate poverty rates.

Another relevant feature of family benefits is that they are targeted based on what is referred to as family income.[19] Family income includes the taxable income of the parents (either the income declared in the tax return or the presumed income calculated by the General Secretariat of Information Systems in the Ministry of Finance (GSIS), whichever is the highest), in addition to other income sources such as interest

[17] The number of observations in survey data for such families is quite small, leading to large standard errors. A similar exercise performed with EU-SILC 2014 survey data showed that roughly 25 percent of households with three or more children were in each of the bottom three quintiles, while about 20 percent were in the fourth quintile and about 7 percent were in the richest quintile.

[18] Family benefits may have an additional social policy objective of increasing fertility. However, purely financial measures have been found to have little or no impact on the decision to have a child or to have additional children. They largely influence the timing of childbirth (Gauthier, A.-H. and D. Philipov, 2008. "Can policies enhance fertility in Europe?" Vienna Yearbook of Population Research 2008: 1-16). Investments in formal childcare services and parental leave has been shown to be more effective in helping parents have their desired number of children (OECD, *Doing Better for Families*, 2011).

[19] The term "families" refers to parents and their dependent children.

and amounts taxed at source or autonomously (as included in the income figure used for the Solidarity Contribution).[20] Although the family income is broader than taxable income, it can still significantly misrepresent the final disposable income that families enjoy after the imposition of taxes and the receipt of transfers of social benefits. Targeting is meant to concentrate benefits on those households who are most in need, those with incomes below the poverty line or very close to it. However, this will not be effective if the income figure used to target the benefit is not closely aligned with the households' final disposable income.

A further distortionary feature of the means test for the family benefits is the use of equivalence scales that are skewed heavily against larger families. The equivalence scales used for each of the two benefits are also not uniform, nor do they mirror the equivalence scale used to target the GMI or to measure poverty. In the case of the Unified Child Benefit, as already mentioned, the first adult receives a weight of one and the second a weight of one-third, whereas each dependent child, regardless of age, is assigned a weight of only one-sixth. The equivalence scale used to target the family benefit contrasts starkly with the equivalence scale used for the GMI program. The GMI scale more closely resembles the modified equivalence scale used to measure poverty by the OECD.[21] The scale assigns a weight of one to the first adult and 0.5 to second. More importantly, however, all additional household members aged 18 and over also receive a weight of 0.5, in addition to the first minor in a one-parent household. Minor children are assigned a weight of 0.25, still significantly higher than the weight of one-sixth assigned to all dependent children under the family benefit scale. By providing higher weights to adult and minor children, the GMI scale strongly favors larger families, especially those with older dependent children, and these very same families are more likely to be at risk of poverty, as has been shown above. Lastly, in the case of the Large Family Benefit, an entirely different formula is applied to adjust the eligibility threshold according to the number of children.[22] Although, in effect, the resulting equivalence scale used for both benefits is similar in the case of two-parent families,[23] applying separate formulas for each benefit can make the administrative process cumbersome and may confuse potential beneficiaries.

Targeting based on income that more closely resembles disposable income using the OECD modified scale (in other words, the income used to measure poverty) would improve targeting to poor and middle-income families. Table 5 illustrates the distortionary effect of using taxable income[24] (shown here as an approximation to family income) and an equivalence scale that provides little weight to children to target the Unified Child Benefit. Although the family allowances are means-tested, the income thresholds used tend to be high in the income distribution. In the case of the Unified Child Benefit, 91 percent of families within the first (poorest) tier belong to the first and second deciles of disposable income. In this sense,

[20] It is unclear which additional income sources are added to compute what is referred to as "taxable income."

[21] The OECD modified scale assigns a weight of 1 to the first adult, 0.5 to additional household members aged 14 and over, and 0.3 to household members aged 13 and under.

[22] In practice, for two-parent families, the formula does result in additional dependent children being assigned a similar weight as in the case of the Unified Child Benefit. However, although the result may be similar, the formula is not the same. Moreover, unlike the scale used for the Unified Child Benefit, the equivalence scale for the Large Family Benefit does not make any adjustments for one-parent families.

[23] In the case of a two-parent family, the euro amount added to the family thresholds for each additional child is roughly equivalent to giving the two parents a weight of 1.33 and each child a weight of one-sixth.

[24] Note that survey data only makes it possible to identify income from taxable sources; presumed income cannot be used in the calculation of taxable income using survey data.

the first tier does appear to target families who are at risk of poverty.[25] However, families within the second tier are more widely distributed among the distribution of disposable income. Almost 13 percent belong to the second decile (and are thus considered poor), whereas almost one-third lie in the fifth and sixth deciles. Moving on to the third tier, the majority of families are in between the sixth and eighth deciles.

Table 5: Using Taxable Income and Not Providing Enough Weight to Children Leads to Inefficient Targeting

Decile of disposable household income before family benefits, equivalized using OECD modified scale	Family taxable income, equivalized according to Unified Child Benefit scale			
	Tier 1: Under EUR 6,000	Tier 2: Between EUR 6,001 and EUR 12,000	Tier 3: Between EUR 12,001 and EUR 18,000	Over EUR 18,000
1	**63**	**0.9**	**0**	**0**
2	**27.9**	**12.9**	**0**	**0**
3	6.1	24.7	0	0
4	1.2	26.6	2.7	0
5	0.8	21	7.8	0
6	0.3	10	21.3	0.8
7	0.6	2.7	32.9	3.3
8	0	1.2	30.1	12.7
9	0	0	5.2	40.7
10	0.2	0	0	42.5
Total	100	100	100	100

Source: World Bank staff calculations based on ELSTAT HBS 2014 data.
Notes: The table shows the distribution of disposable household income within each tier used to target the Unified Child Benefit; the numbers shown in bold represent deciles below the at-risk-of-poverty line. For the purpose of this exercise, dependent children are defined as any individuals aged 0 to 18 living with at least one parent or, if aged 19 to 24, any individuals living with at least one parent, unmarried, and attending school or receiving disability benefits. As explained above, the Unified Child Benefit and Large Family Benefit are targeted using taxable income in addition to interest, amounts taxed at source or autonomously, and other possible incomes.

Although family benefits are means-tested, they are provided to a very large percentage of the population, many of whom are not in need of the benefit. As shown in Table 6 below, approximately 80 percent of households with children qualify for the Unified Child Benefit based on income alone.[26] In particular, 20 percent are in the third tier (incomes between EUR 12,001 and EUR 18,001 equivalized), meaning that if they also meet the residency criteria, they would qualify for only EUR 13.33 per child per month. If the benefit were to be removed for the third tier, the resulting coverage (based solely on income criteria and assuming take up of 100 percent[27]) would still be approximately 60 percent of the population in households with children. Savings would amount to approximately 12 percent of current expenditures on the Unified Child Benefit, or over EUR 50 million.[28]

[25] The at-risk-of-poverty rate according to World Bank staff calculations using ELSTAT HBS 2014 survey data is 20.6 percent.
[26] The table uses taxable income as a proxy for family income.
[27] Eligibility conditions for the Unified Child Benefit also include residency criteria.
[28] Based on administrative data for 2015 provided to the World Bank by the OGA.

In the case of the Large Family Benefit, the eligibility thresholds are even higher. Ninety-five percent of families with three or more children have taxable incomes below the established thresholds (based on HBS 2014 data from ELSTAT). Regardless of the type of income used to target this benefit (taxable, family, or disposable income), such a generous threshold makes the benefit nearly universal if residency criteria are not taken into account.

Table 6: Percentage of the Population in Households with Children under Current Thresholds

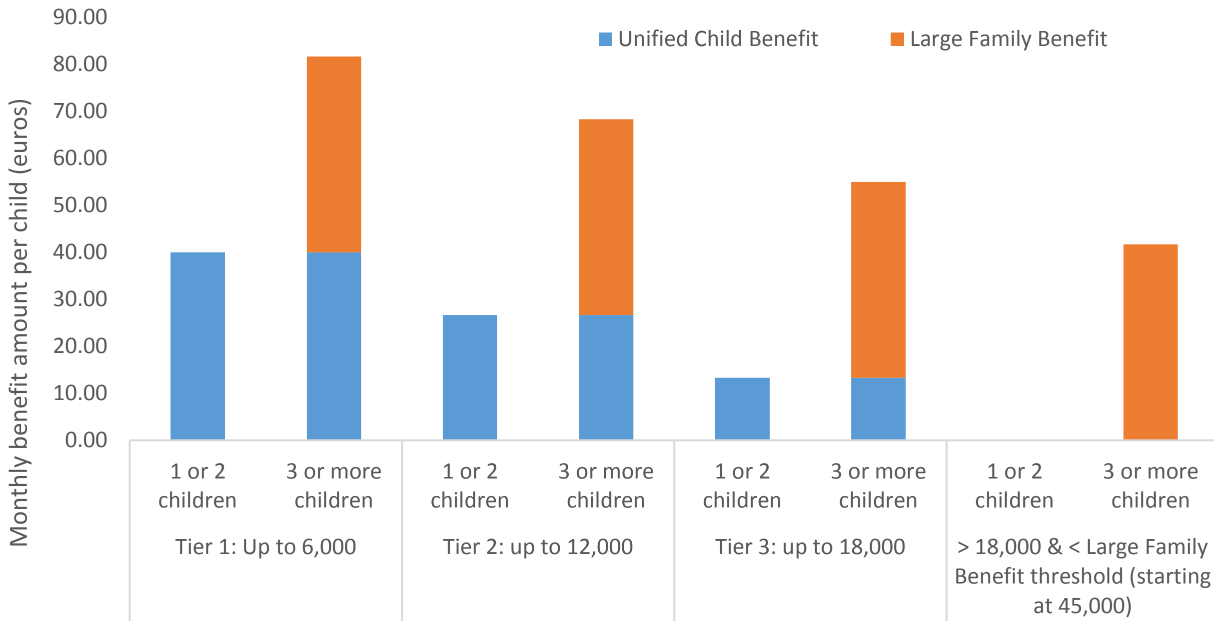
Equivalized income tier	Percent	Cumulative percentage
Tier 1: 0 to 6,000	24.3	24.3
Tier 2: 6,001 to 12,0000	34.5	58.8
Tier 3: 12,001 to 18,000	20.8	79.5
Above 18,000	20.5	100.0
Total	**100.0**	

Source: World Bank staff calculations based on ELSTAT data from HBS 2014.
Note: Taxable income is used as a proxy for family income.

Another feature that distorts the targeting of family benefits is the disproportionate amount of transfers that go to families with three or more children through the Large Family Benefit (Figure 20). For the first income tier, the total benefit amount per child received by a family with three or more children (taking into account both benefits) is more than twice that received by a family with one or two children. In the third tier, the disparity is much greater: families with three or more children receive over four times as much per child, since the Large Family Benefit does not differ according to income level under the qualifying threshold. Moreover, most families with three or more children and incomes higher than EUR 18,000 equivalized still qualify for the Large Family Benefit, while those with one or two children receive nothing. The result is that out of the total EUR 644 million spent on both family allowances in 2014, 51 percent went to families with three or more children, even though the children in these families only represented 29 percent of all children among family benefit recipients (2015 administrative data, see Figure 21). Added to this is the fact that families with three or more children are eligible for additional benefits such as tax exemptions and reduced-price public transportation. Although, according to survey data, families with three or more children do tend to have lower incomes than those with one or two children, the benefit amounts given to larger families are nonetheless disproportionate. Furthermore, it must be noted no other EU member state increases child allowances to such a degree as the number of children rises. Most countries provide a flat benefit per child,[29] and among those countries that do increase the benefit amount per child for larger families, the increase tends to be much smaller and more often occurs on a marginal basis.[30] In contrast, in Greece, families with three or more children receive an additional EUR 500 per year *per child.*

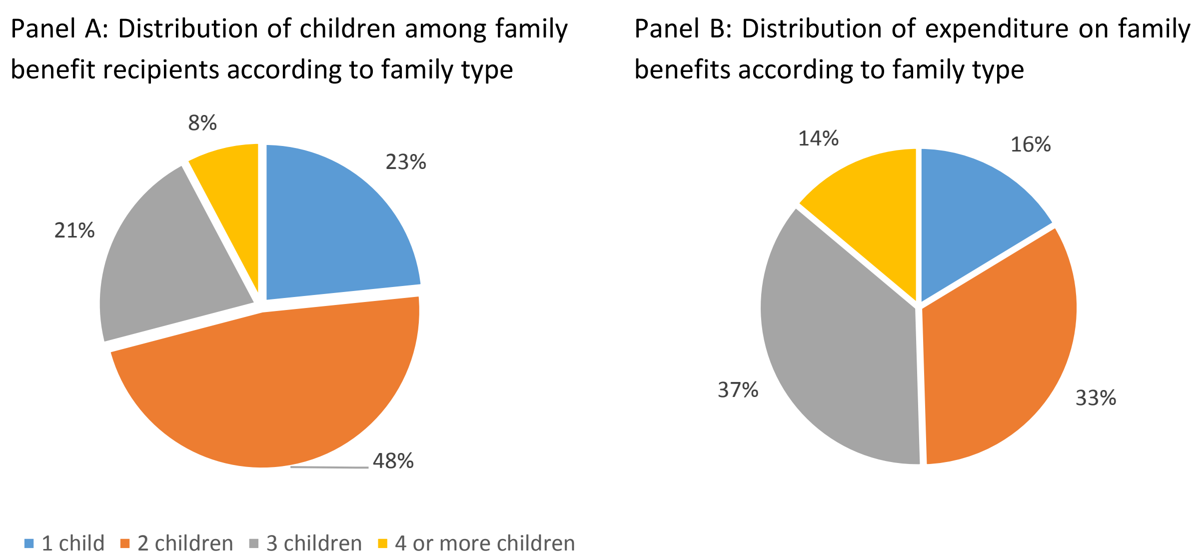
[29] Austria, the Czech Republic, Germany, Poland, and the Netherlands increase the benefit for older children; Portugal and Romania provide higher benefits to infants, and in Lithuania, Denmark, and the United Kingdom, higher benefits are granted to younger children (Source: MISSOC comparative tables, January 2016).
[30] Countries in which larger families receive a higher benefit per child include Austria, Belgium, Bulgaria, Finland, Hungary, Iceland, Luxembourg, Slovenia, and Sweden (Source: MISSOC comparative tables, January 2016).

Figure 20: Families with Three or More Children are Eligible for Disproportionately Higher Benefits



Source: Developed by World Bank staff based on Law 4093/2012.

Figure 21: There Are Few Families with Three or More Children



Source: OGA 2015 administrative data received by the World Bank in May 2016.
Note: Families include both two-parent and one-parent families.

As a final remark, it is worth noting that it appears that not all eligible families among the population take up the family allowances. An analysis of data from GSIS shows a non-take-up rate of 17.6 percent for the Unified Child Benefit. Granted, some non-poor families may not want their incomes to be subject to further scrutiny by tax authorities in order to determine their eligibility. It is also possible that the Unified Child Benefit can be still considered to be relatively new, and as time goes by, more potential beneficiaries will claim the benefit. However, it is also possible that the non-take-up rate is even higher than the tax data show. Income taxes must be filed entirely online, and it is unclear to what extent poor families may fail to file because they do not have access to the internet. To the extent that there are poor families with children who are not receiving any family allowances despite meeting the income criteria, the two family allowances may not be achieving their potential vis-à-vis poverty reduction. The fact that both family benefits also restrict eligibility to families who have been living in Greece for the 10 years prior to the year of their application also means that many families do not qualify for the benefit despite meeting the income criteria. EU-SILC data show that households with members who were not born in Greece are likely to be at the lower end of the income distribution. As such, criteria that require decades-long continuous residency in Greece may be undermining poverty alleviation efforts and investments in human capital.

4.3 Recommendations

Taking into account the above analysis, we make a set of recommendations regarding the consolidation of family benefits to increase their effectiveness as financial support for families with children. Our proposed reforms aim to treat all children equally, increase efficiency in poverty alleviation, keep the design of the benefits simple, and reduce the administrative burden. We estimated coverage, targeting, adequacy, poverty, and the fiscal effects of the proposed reforms with simulations using household survey data.[31] We have discussed these recommendations with our government counterparts at the MoLSISS.

Eliminate the Large Family Benefit. There is no rationale for having such a disproportionately generous benefit for large families, even if the incomes of families with three or more children may be somewhat lower than those of families with one or two children. The opportunity cost of providing an extra benefit of EUR 500 per year per child to families with three or more children (amounting to an extra EUR 41 per

[31] Given that the Unified Child Benefit is fairly new, it is not possible to use survey data to analyze the effectiveness of its targeting in practice. The income reference period used for the 2014 HBS covers a period in which the Unified Child Benefit had not yet gone into effect, and, although the Large Family Benefit has been in place for a longer period of time, there is uncertainty as to whether any reforms to the already existing Large Family Benefit had been put into effect by the time the HBS data were collected. This, together with the small number of observations that capture families with three or more children, makes it difficult to rely on survey data. In fact, HBS 2014 survey data point to an underreporting of benefit recipients, as the number of beneficiaries of the Large Family Benefit according to the survey data is significantly lower than that given by the administrative data. For these reasons, the calculations shown in this report are based on simulations in which the eligibility rules specified in the 2012 law are applied and take-up rates are adjusted in a random fashion in order to closely match the administrative data. Applying a take-up rate of 67 percent for the Unified Child Benefit and 82 percent for the Large Family Benefit among families with dependent children who qualify for each benefit based on income alone (we were unable to identify the number of years of continuous residency in Greece) yielded roughly the same number of beneficiaries as in the administrative data. It must be also noted that we were unable to identify any families with dependent children living in other households who may also qualify for either of the family benefits.

month per child)[32] should be assessed relative to other options that are more equitable in their treatment of families with fewer children. We estimate that the savings associated with eliminating the Large Family Benefit would be over EUR 200 million, or about 30 percent of total 2014 expenditure on family allowances. This move might lead to a rise in poverty among households with dependent children, but we estimate that the rise would be insignificant, at under 1 percentage point in the case of the headcount, depth, and severity. The effect would be negligible considering the magnitude of savings, which could be used to increase the benefit amount and adequacy of the Unified Child Benefit.

Reconsider the threshold for the Unified Child Benefit: The highest threshold for the Unified Child Benefit is EUR 18,000 (equivalized) or EUR 30,000 for a family with two parents and two children (EUR 14,286 if equivalized using the OECD modified scale used by ELSTAT). The threshold is fairly generous, corresponding to around the 80th percentile for taxable income using the equivalence scale for the Unified Child Benefit.[33] One option to consider is to eliminate the third tier benefit – that of the EUR 12,001 to EUR 18,000 equivalized income bracket.[34] This reform alone would yield approximately EUR 50 million in savings or 12 percent of current expenditures on the Unified Child Benefit. There would be no effect on poverty, since families in the third tier are highly unlikely to have disposable incomes that are below the poverty line.[35] Furthermore, it is unlikely to result in economic hardship as the benefit amount per child given to families in this income tier is small (only EUR 13.33 per month per child) and, therefore, does not represent a significant proportion of the income of these families. The fiscal savings from this reform could be better used to increase the adequacy of the benefit for families in incomes tiers one and two.

Use the same equivalence scale as the GMI in order to determine eligibility based on income and adjust income thresholds for the first and second tiers accordingly. The equivalence scale used to determine eligibility for the Unified Child Benefit makes it harder for larger families to qualify. Significantly less weight is given to each child than when using the equivalence scale used for the GMI program or the modified equivalence scale used by the OECD to estimate the poverty rate. Using the same equivalence scale as for the GMI program would be more equitable for larger families as well as for lone-parent families. However, this option should be accompanied by an adjustment in equivalized income thresholds in order to maintain the current number of beneficiaries of the Unified Child Benefit in income tiers 1 and 2 combined, in other words, approximately 570,000 total beneficiaries according to the OGA's 2015 administrative data. Moving the equivalized income thresholds to EUR 5,000 and EUR 10,000 for the first and second tiers (from the current EUR 6,000 and EUR 12,000 respectively) would roughly achieve such a result. This adjustment is necessary not only to contain costs but also to increase the targeting accuracy of the benefit, as will be seen below. As shown in Table 6 below, even if the equivalized thresholds were adjusted, there would still be an effective increase in the total income thresholds for all families with only one parent and nearly all families with two parents. For families with two children and one minor child,

[32] As an example, a family with three children and total family income of EUR 10,998 (thus qualifying for the full Unified Child Benefit) would receive a total of EUR 2,940 per year (EUR 120 per month or EUR 1,400 per year) under the Unified Child Benefit and an additional EUR 1,500 per year under the Large Family Benefit.

[33] Or anywhere between the sixth and tenth deciles for disposable household income before family benefits using the OECD modified equivalence scale.

[34] EUR 12,000 corresponds to approximately the 60th percentile for taxable family income when equivalized using the Unified Child Benefit scale.

[35] We found no such families in the survey data when we used taxable income to identify families in the third tier.

the total income threshold for the first tier would fall from EUR 9,000 under the status quo to EUR 8,750.[36] This is the only type of family that would experience a fall in the total income threshold.[37] Increases in the total income thresholds would be especially high for families with adult children. For example, the second-tier total income threshold for a two-parent family with three children would rise from EUR 22,000 under the status quo to EUR 30,000, even after being adjusted. This would be the result of applying an equivalence scale that gives a higher weight to children, especially adult children whose living costs are likely to be higher.[38] In practice, applying the GMI equivalence scale means that, even with the proposed threshold adjustment, some families that are classified as tier 2 (or tier 3) under the current scale would be classified as tier 1 (or tier 2).

Table 7: Total Income Thresholds under the Status Quo and GMI Equivalence Scales for a Two-parent Household

	Tier 1			**Tier 2**		
Number of children	**Status quo**	**GMI scale, original equivalized thresholds**	**GMI scale, adjusted equivalized thresholds**	**Status quo**	**GMI scale, original equivalized thresholds**	**GMI scale, adjusted equivalized thresholds**
			All dependent children under 18 years of age			
1	**9,000**	10,500	8,750	**18,000**	21,000	17,500
2	**10,000**	12,000	10,000	**20,000**	24,000	20,000
3	**11,000**	13,500	11,250	**22,000**	27,000	22,500
4	**12,000**	15,000	12,500	**24,000**	30,000	25,000
5	**13,000**	16,500	13,750	**26,000**	33,000	27,500
6	**14,020**	18,000	15,000	**30,000**	36,000	30,000
			All dependent children aged 18 and over			
1	**9,000**	12,000	10,000	**18,000**	24,000	20,000
2	**10,000**	15,000	12,500	**20,000**	30,000	25,000
3	**11,000**	18,000	15,000	**22,000**	36,000	30,000
4	**12,000**	21,000	17,500	**24,000**	42,000	35,000
5	**13,000**	24,000	20,000	**26,000**	48,000	40,000
6	**14,020**	27,000	22,500	**30,000**	54,000	45,000

Source: Developed by World Bank staff.
Note: We kept the original equivalized thresholds and adjusted them such that the numbers of beneficiaries in tiers 1 and 2 were maintained. The status quo equivalized thresholds are EUR 6,000 for the first tier and EUR 12,000 for the second tier. The adjusted equivalized thresholds are set at EUR 5,000 for the first tier and EUR 10,000 for the second tier. Under the GMI scale, thresholds would differ for families with a combination of dependent children under age 18 and aged 18 and over.

Increase the benefit amount per child for the Unified Child Benefit. The savings that would accrue from eliminating the Large Family Benefit and the third tier of the Unified Child Benefit would amount to approximately EUR 250 million or about 39 percent of all current expenditures on both family benefits (which total approximately EUR 640 million).[39] These savings could be used to increase the benefit amount

[36] In the case of single-parent families with one child, regardless of age, the total income threshold would rise from the current EUR 7,000 to EUR 7,500.
[37] If needed, adjusting this particular threshold to EUR 9,000 to match the current threshold would be a fiscally viable option.
[38] The OECD modified equivalence scale begins assigning a higher weight to children starting at the age of 14 when their caloric needs and other living costs are likely to increase significantly.
[39] Based on administrative data for 2015 received from the OGA.

granted per child under the Unified Child Benefit, thus increasing its adequacy. In Table 7 Below, we provide four different scenarios for increasing the amount of the Unified Child Benefit along with the implications of each scenario for fiscal costs, coverage, targeting, adequacy, and poverty. Scenarios 1 and 2 have benefit amounts that are differentiated by to the number of children in the family, with scenario 2 favoring larger families. Scenarios 3 and 4, on the other hand, maintain a flat monthly benefit amount of EUR 70 and EUR 60 per child respectively.

Table 8: Unified Child Benefit Amounts for the Status Quo and for Three Reform Scenarios

Scenario	Monthly benefit amount for first income tier
Status quo	**Each child:** EUR 40
Scenario 1	**First child:** EUR 50
	Second child: EUR 60
	Third child: EUR 80
	Fourth child onwards: EUR 90 each
Scenario 2	**First and second child:** EUR 60 each
	Third child onwards: EUR 90 each
Scenario 3	**Each child:** EUR 70
Scenario 4	**Each child:** EUR 60

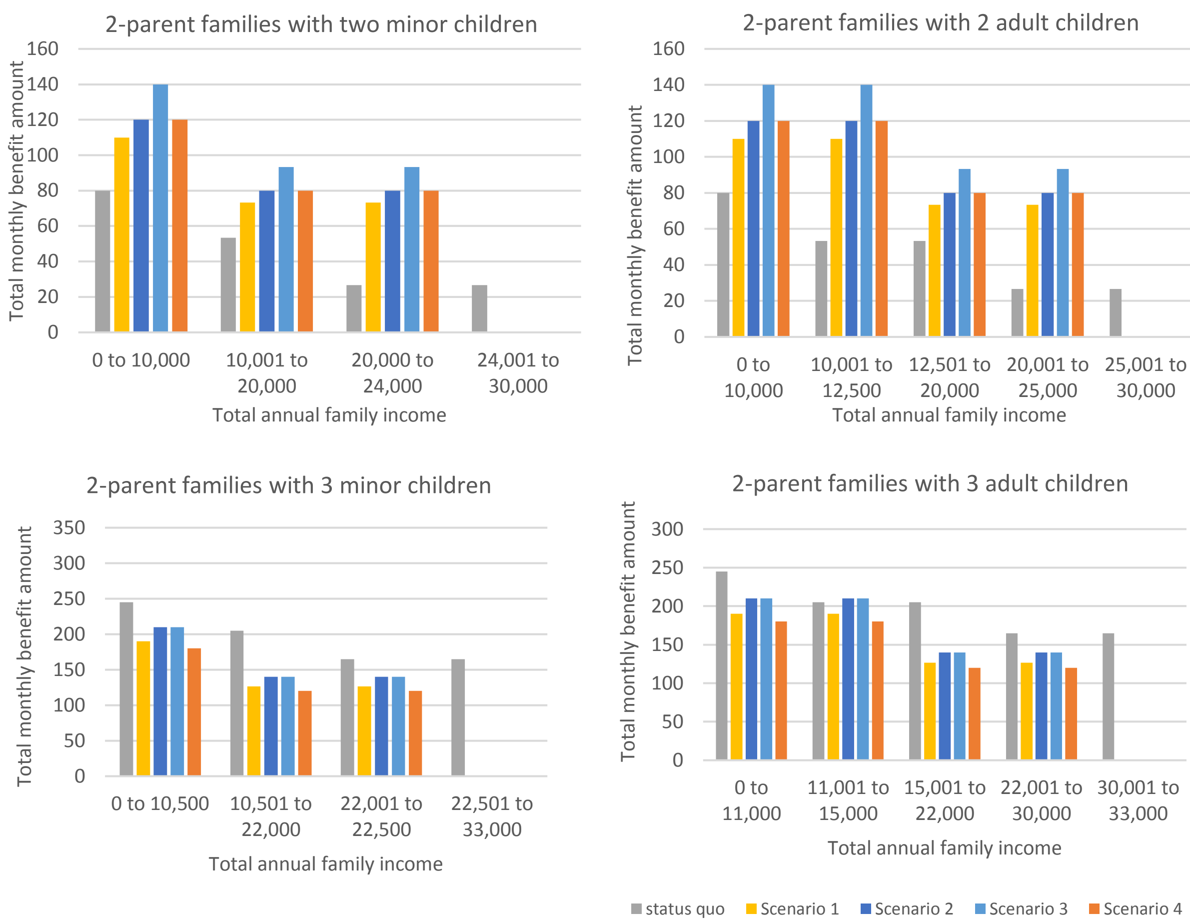
Source: Developed by World Bank staff.
Note: Beneficiaries in the second income tier receive two-thirds of the corresponding full benefit amount. Under the status quo, beneficiaries in the third income tier receive one-third of the corresponding full benefit amount, while no benefit is provided under any of the four proposed scenarios. Due to changes in the equivalence scale and thresholds, the income tiers do not fully coincide (see Table 7 for examples of income thresholds for a two-parent household).

Combining the four different scenarios outlined for the Unified Child Benefit in Table 8 with the proposed reforms (removing the Large Family Benefit and the third tier of the Unified Child Benefit, using the GMI scale to determine eligibility, and adjusting the equivalized thresholds) implies that most families would receive a higher amount of total family benefit, while a few would receive less. Figure 22 below shows the total benefit amount that two-parent families with two or three children currently receive under the status quo, as well as what they could expect to receive under scenarios 1 through 4. The amounts are shown by total family income. The thresholds used for scenarios 1 to 4 are the adjusted thresholds shown in Table 7, in other words, EUR 5,000 equivalized for tier 1 and EUR 10,000 equivalized for tier 2. Families with one or two children currently in tiers 1 and 2 would see a gain under all four scenarios.[40] Most families currently in the third income tier would tend to lose benefits altogether, though some, especially those with a greater number of (adult) children, might still qualify for two-thirds of the full benefit.[41] In general, most families with three or more children would receive a lower amount of benefits because of the elimination of the (very generous) Large Family Benefit. The largest decrease would be under scenario 4,

[40] There is one minor exception. Two-parent families with one minor child with total annual family incomes between EUR 8,751 and EUR 9,000 currently receive EUR 40 per month; under scenario 1, they will receive EUR 33.33 per month, while under scenario 2 their benefit amount will remain the same, and under scenario 3 it will rise to EUR 46.67. (See
Annex 2) However, given the tight income range within which this occurs, the number of families affected is likely to be very small.
[41] This will occur because the total income thresholds for tier 2 rise under the proposed reforms to the equivalence scale and equivalized thresholds.

which assigns a flat benefit of EUR 60 per child. The extent to which families' benefit amounts would fall would differ across the income spectrum. For example, for two-parent families with three children, the largest fall would be for families currently in the second tier with total annual family incomes ranging between EUR 10,501 and EUR 22,000, depending on the age of the children. For families with three children with incomes from about EUR 22,501 to about EUR 33,001, total benefits would fall from the current EUR 165 per month to zero depending on the age of the children. In order to cushion these decreases, higher benefit amounts are proposed for families with three or more children than that granted to smaller families (scenario 1 also provides a higher benefit to families with two children than the amount granted to those with only one child).

Figure 22: Total Monthly Benefit Amounts under Status Quo and Four Scenarios by Family Type and Total Family Income

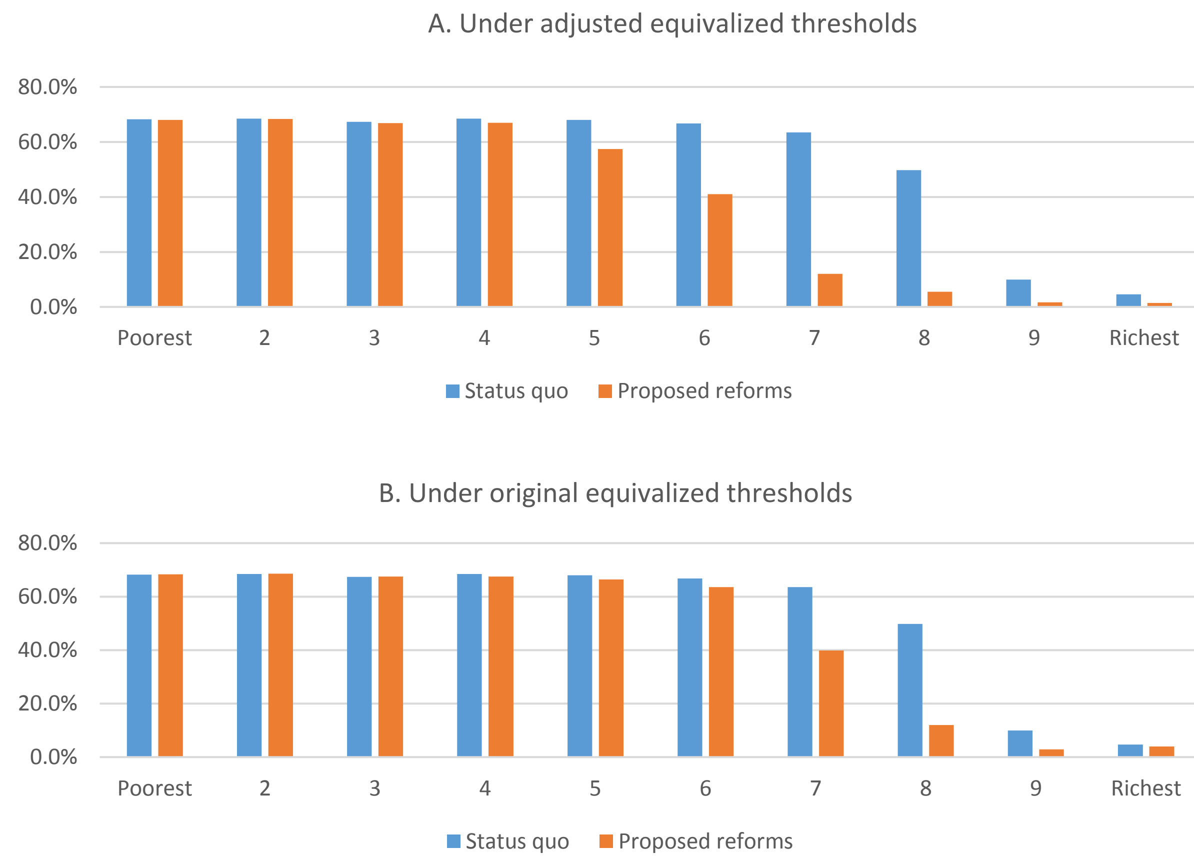


Source: Developed by World Bank staff.

Note: We used adjusted thresholds for this analysis. Additional losses of EUR 125 per month would occur for two-parent families with three children of any age with total annual family incomes between EUR 33,001 and EUR 45,000. See Annex 2 for additional family types.

As shown in Figure 23, under the proposed reforms, coverage of families in the fifth through tenth income deciles by family benefits would fall if the equivalized thresholds were also adjusted. The proposed reforms combined with the adjustment of equivalized thresholds would result in a family benefit coverage rate of 42 percent of individuals living in households with dependent children. This would be lower than the current coverage rate of 55 percent.[42] Coverage of households living in the lower net market income[43] deciles would remain very similar at around 68 percent. Starting with the fifth decile, coverage would begin to fall and more dramatically so starting with the seventh decile. Coverage, however, would not start to fall until the seventh decile if the equivalized thresholds were not adjusted as suggested above. If the original equivalized thresholds were to be maintained, then total coverage would rise to 48 percent.

Figure 23: Coverage of Family Benefits under Status Quo and Reform Scenarios, total and by net market income quintile

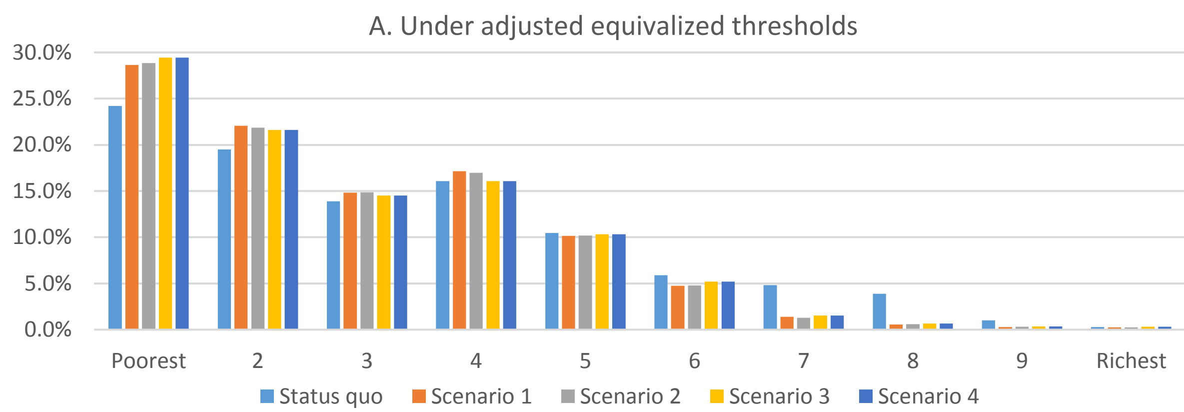


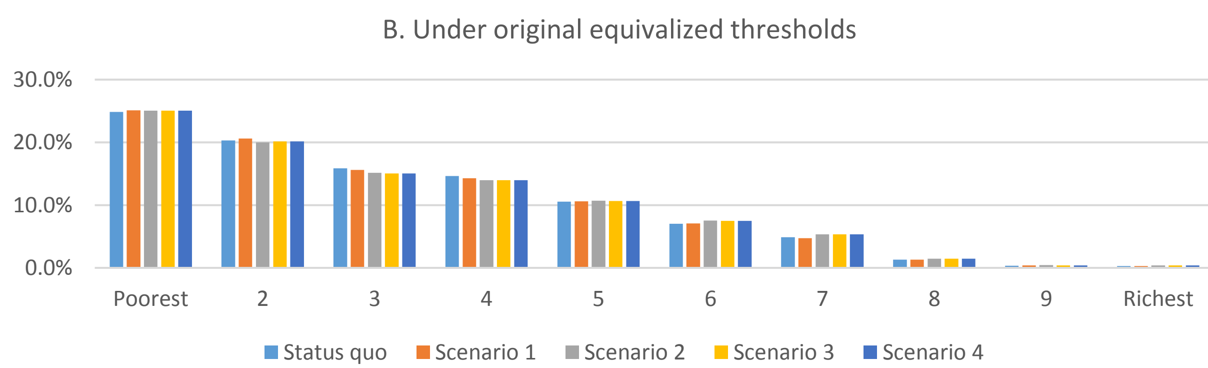
Source: World Bank staff simulations based on ELSTAT HBS 2014 data.
Note: Our simulations are based on 745,000 families covered under the status quo; under the proposed reforms, approximately 574,000 families would be covered. Baseline simulations include both the Unified Child and Large Family Benefits. Total coverage is 55 percent under the status quo and 48 percent under the reform scenarios. The adjusted equivalized thresholds are EUR 5,000 for tier 1 and EUR 11,000 for tier 2. The original equivalized thresholds are EUR 6,000 for tier 1 and EUR 12,000 for tier 2. The baseline uses the original equivalized thresholds.

[42] All figures are based on simulations using HBS 2014 data. Eligibility rules were applied to households' taxable income, and random assignment was conducted such that the number of beneficiaries roughly equaled the number in the administrative data. We were unable to apply residency eligibility criteria due to a lack of relevant data. For more information on how the simulations were conducted, see Annex 3.
[43] Net market income is similar to disposable income except that it does not include social assistance benefits.

Targeting adequacy is significantly increased under all of the reform scenarios but only if equivalized income thresholds are adjusted (Figure 24). Applying the GMI scale necessarily leads to increasing total income thresholds, especially for families with adult children, as shown in Table 7 above. For this reason, we strongly recommend that equivalized thresholds be adjusted to EUR 5,000 for tier 1 and EUR 10,000 for tier 2, roughly maintaining the current total number of beneficiaries in income tiers 1 and 2. The result would be a significant increase in targeting efficiency, as a greater percentage of total transfers would end up being received by families in the first two deciles. In this way, for each EUR 100 spent on family benefits, a higher percentage would be transferred to the poor than is currently the case.

Figure 24: Targeting Accuracy of Family Benefits under Status Quo and Reform Scenarios, by net market income decile

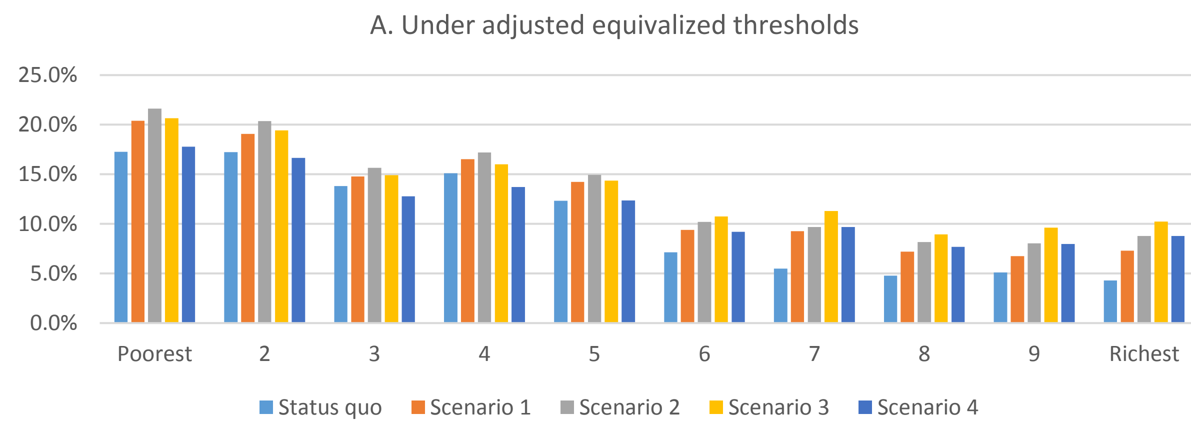


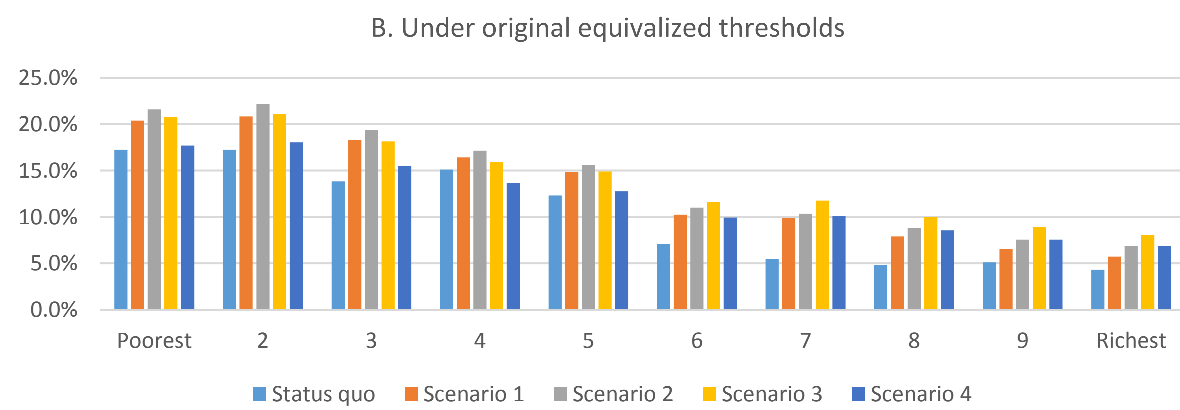


Source: World Bank staff simulations based on ELSTAT HBS 2014 data.
Notes: Targeting accuracy is the transfer amount received by each income group as a percent of total transfers received by the population. The baseline simulation includes both the Unified Child and the Large Family Benefits. The adjusted equivalized thresholds are EUR 5,000 for tier 1 and EUR 11,000 for tier 2. The original equivalized thresholds are EUR 6,000 for tier 1 and EUR 10,000 for tier 2. The baseline uses the original equivalized thresholds.

The adequacy of family benefits increases for all deciles under three of the four proposed reform scenarios (Figure 25). Adequacy refers to the average transfer amount received by beneficiaries as a percentage of minimum wage. As referenced in SWR Output B1 B2 B3, the adequacy of family benefits is low in Greece in comparison with the average of all EU Member States that have a statutory minimum wage. The simulation data show that, under all of the proposed reforms, the total average amount received by beneficiaries would generally tend to rise, thus raising the adequacy of the benefit. This would be the case under scenarios 1 to 3 for families in all income deciles under either the adjusted or the original equivalized thresholds. For scenario 4, which provides EUR 60 per month for each child, average adequacy would fall with respect to the status quo for those in deciles 2, 3, and 4 if equivalized thresholds were adjusted and for those in decile 4 if the original equivalized thresholds were maintained.

Figure 25: Adequacy of Family Benefits under Status Quo and Reform Scenarios, by net market income decile





Source: World Bank staff simulations based on ELSTAT HBS 2014 data.
Note: Adequacy is the average transfer amount received by all beneficiaries in each income group relative to the minimum wage, which is EUR 586 a month. The baseline simulation includes both the Unified Child and Large Family Benefits. The adjusted equivalized thresholds are EUR 5,000 for tier 1 and EUR 10,000 for tier 2. The original equivalized thresholds are EUR 6,000 for tier 1 and EUR 12,000 for tier 2. The baseline uses the original equivalized thresholds.

None of the proposed reform scenarios is likely to have a significant effect on the poverty headcount among households with dependent children. Although targeting accuracy would improve under the adjusted thresholds -- meaning that a greater percentage of total transfers would accrue to the poor—reductions in poverty among households with dependent children, if any, are likely to be small or only on the order of just over 1 percentage point at the most. The reductions in the depth and severity of poverty among households with dependent children would also be small. At most, one could expect a reduction of around EUR 100 million in the monetized poverty gap (in other words, between 5 and 6 percent of the total monetized poverty gap) under scenarios 2 and 3. Scenarios 1 and 4 would lead to more modest reductions of between 61 and EUR 77 million (see Table 9). (In part, reducing the length of the continuous residency criteria would further help to alleviate poverty.)[44]

In general, the proposed reforms also would not have a significant impact on the poverty headcount for households with three or more dependent children, which tends to rise under all scenarios, albeit generally by less than 1 percentage point. Under scenario 4, however, our simulations show a rise of 3.8 percentage points if equivalized thresholds are adjusted and 2.5 percentage points if they are maintained (Table 9).

Table 9: Poverty Effects of Reform Scenarios Relative to Status Quo

	Status quo (simulation)	Scenario 1	Scenario 2	Scenario 3	Scenario 4
UNDER ADJUSTED EQUIVALIZED THRESHOLDS					
Ppt. change in poverty (60% of median), individuals in households with dependent children					
Headcount	**24.2%**	-0.9%	-1.2%	-1.4%	0.0%
Depth	**8.7%**	-0.3%	-0.4%	-0.4%	-0.3%
Severity	**4.9%**	-0.2%	-0.3%	-0.4%	-0.3%
Change in monetized poverty gap (million euros)	**2,063**	-75	-99	-106	-61
Ppt. change in poverty (60% of median), individuals in households with 3 or more dependent children					
Headcount	**30.9%**	0.9%	0.3%	1.5%	3.8%
Depth	**10.5%**	0.0%	-0.2%	0.7%	1.0%
Severity	**5.7%**	0.0%	-0.2%	0.4%	0.5%
Change in monetized poverty gap (million euros)	**454**	1	-8	29	45
UNDER ORIGINAL EQUIVALIZED THRESHOLDS					
Ppt. change in poverty (60% of median), individuals in households with dependent children					
Headcount	**24.2%**	-1.1%	-1.3%	-1.7%	-0.4%
Depth	**8.7%**	-0.3%	-0.5%	-0.5%	-0.3%
Severity	**4.9%**	-0.2%	-0.3%	-0.4%	-0.3%
Change in monetized poverty gap (million euros)	**2,063**	-77	-112	-117	-77
Ppt. change in poverty (60% of median), individuals in households with 3 or more dependent children					
Headcount	**30.9%**	0.5%	-0.3%	0.4%	2.5%
Depth	**10.5%**	0.1%	-0.3%	0.6%	0.8%
Severity	**5.7%**	0.0%	-0.2%	0.4%	0.5%
Change in monetized poverty gap (million euros)	**454**	3	-2	28	34

Source: World Bank staff simulations based on ELSTAT HBS 2014 data.
Note: The poverty line is set at EUR 4,905 per equivalized adult. The baseline simulation includes both the Unified Child and Large Family Benefits. The adjusted equivalized thresholds are EUR 56,000 for tier 1 and EUR 10,000 for tier 2. The original equivalized thresholds are EUR 6,000 for tier 1 and EUR 12,000 for tier 2. The baseline uses the original equivalized thresholds.

[44] While the HBS survey data do not identify households who do not meet the residency criteria, we adjusted the number of beneficiaries to roughly match the number in the administrative data, and we maintained the same proportion or "take-up rate" of families with incomes below the respective thresholds across all of the simulations.

The proposed reform scenarios will lead to an increase in the current total expenditure on family benefits ranging between -6 percent to 10 percent if the equivalized thresholds are adjusted, and between 10 percent and 29 percent if the original equivalized thresholds are maintained. Scenario 4 is the least expansionary; it could generate savings of about 6 percent under adjusted equivalized thresholds or increase costs by 10 percent under the original equivalized thresholds. Scenario 1 would be nearly fiscally neutral under the adjusted thresholds: it would cost only 2 percent (EUR 12 million) more than the status quo. Yet, as seen above, scenario 1 would lead to a reduction in the monetized poverty gap in the amount of EUR 75 million. Scenarios 2 and 3 would cost about 10 percent more than the status quo -- approximately EUR 60 million more -- while reducing the monetized poverty gap by around EUR 100 million. As such, these two scenarios do not seem to be as efficient in reducing poverty as scenario 1, though, by reducing the poverty gap by a higher amount than the increase in expenditure, they can still be considered more efficient than the status quo. Lastly, it must be noted that if the original thresholds were maintained, costs would rise between 10 percent and 29 percent depending on which scenario were chosen. However, the decrease in the monetized poverty gap would not be too different from the decrease that would result from the less costly scenarios under the adjusted thresholds. As such, it is difficult to justify the increase in expenditure, much of which would result in transfers accruing to families in the upper income deciles, as shown in Figure 23 and Figure 24.

Table 10: Expenditure on Family Benefits under Status Quo and Reform Scenarios (million euros)

	Status quo (simulation)	Scenario 1	Scenario 2	Scenario 3	Scenario 4
	UNDER ADJUSTED EQUIVALIZED THRESHOLDS				
Unified child support	**424**	629	670	677	582
Large family benefit	**193**	NA	NA	NA	NA
Total	**617**	629	670	677	582
Increase in expenditure	**NA**	12	53	60	-35
Percent increase in expenditure	**NA**	2%	9%	10%	-6%
Increase in expenditure as a percentage of 2015 GDP	**NA**	0.01%	0.03%	0.03%	-0.02%
	UNDER ORIGINAL EQUIVALIZED THRESHOLDS				
Unified child support	**424**	728	786	794	678
Large family benefit	**0**	NA	NA	NA	NA
Total	**424**	728	786	794	678
Increase in expenditure	**NA**	111	169	177	61
Percent increase in expenditure	**NA**	18%	27%	29%	10%
Increase in expenditure as a percentage of 2015 GDP	**NA**	0.06%	0.10%	0.10%	0.03%

Source: World Bank staff simulations based on ELSTAT HBS 2014 data.
Note: The baseline simulation includes both the Unified Child and the Large Family Benefits. The survey estimates underestimate total expenditure for the baseline simulation by 4.6 percent. According to the GAO, total family benefit expenditures for 2015 were about EUR 647 million. The adjusted equivalized thresholds are EUR 5,000 for tier 1 and EUR 10,000 for tier 2. The original equivalized thresholds are EUR 6,000 for tier 1 and EUR 12,000 for tier 2. The baseline uses the original equivalized thresholds.

Box 3: Summary of Strengths and Weaknesses of Proposed Reforms

Strengths

1. Simplified – one consolidated family benefit
2. More equitable outcomes and improved targeting accuracy
3. More generous eligibility thresholds for large families
4. More winners from the reforms than losers
5. More generous benefit payments for families with one or two children than under the status quo
6. More generous thresholds for nearly all families with the only total income threshold to falls being that for two-parent families with one child in the first income tier (from EUR 9,000 to EUR 8,750)
7. Only an insignificant increase in total poverty for large families, if any.

Weaknesses

1. Some families will be worse off after the elimination of the Large Family Benefit, but this group will be relatively small.
2. Many families currently in the third tier will stop receiving benefits, but their losses will be small because of the low value of the third-tier benefit.
3. The reduction in poverty for households with dependent children will be only modest.
4. Nearly all of the scenarios are fiscally expansionary
5. Thresholds, when expressed in equivalized rather than total income terms, may appear to the public as having been lowered. To avoid miscommunication, the changes in eligibility thresholds could be expressed in terms of total income instead.

4.4 Conclusions

We have put forward several recommendations that, if implemented together, should lead to more efficient targeting of family benefits to families in the bottom quintile. Also, the adequacy of the benefits could be increased by raising the amount of the Unified Child Benefit. The reforms do reduce benefits for families with three or more dependent children. However, although these families are more likely to be poor than those with one or two children, not only are they currently receiving benefits per child that are at least twice the amount received by families with one or two children but also many families who are in the upper deciles are also receiving benefits because of the current very generous thresholds.

In sum, in order to make the targeting of family benefits more efficient, we propose: (i) eliminating the Large Family Benefit; (ii) removing the Unified Child Benefit from families in the third income tier; (iii) using the GMI equivalence scale to target the benefit based on family income; and (iv) adjusting the equivalized thresholds for tiers 1 and 2 to EUR 5,000 and EUR 10,000 respectively. These measures alone would simplify family benefits by consolidating them into a single benefit and would improve targeting by giving a greater weight to dependent children (especially those aged 18 to 24 who are more likely to live in poverty) and by taking away the benefit from families whose incomes are in the upper deciles.

These measures would generate substantial savings that could then be used to increase the adequacy of the Unified Child Benefit. We have proposed four different possible scenarios regarding the structure of benefits in the future. Two of these, scenarios 1 and 2, would provide increased benefit amounts to larger families, thus partly compensating for the loss that these families will experience upon the removal of the Large Family Benefit. Scenarios 3 and 4, on the other hand, would provide a flat benefit amount of EUR

70 and EUR 60 per month per child respectively. With the exception of scenario 4, all of the scenarios would increase the adequacy of the benefit across all income deciles.

As far as poverty among households with dependent children is concerned, all scenarios are likely to result in a very small decrease in poverty. Scenario 4, however, may raise poverty among households with three or more dependent children.

If the equivalized thresholds were adjusted, then scenario 1 would be fiscally neutral, scenario 4 would generate savings of EUR 35 million, and scenarios 2 and 3 would result in an increase in expenditure of EUR 53 and EUR 60 million respectively. All four scenarios would be fiscally expansionary if the original equivalized thresholds were maintained, ranging from an increase in expenditure of EUR 61 million under scenario 4 to EUR 177 million under scenario 3.

5. Tax Expenditures: Benefit incidence and Recommendations

Many social benefits are delivered in the form of reduced taxes. This section reviews those benefits that are delivered not as direct transfers but through tax credits and reductions. To the extent that some tax expenditures are inefficient or ineffective in reaching the most vulnerable, our aim was to identify some potential additional fiscal space that could be made available to fund the roll-out of the SSI program.

This section presents the main tax expenditures and the distributional impact of the benefits that people receive through exemptions, credits, and deductions. Given that reviews of the VAT system have already been carried out, we focus this analysis on tax expenditures related to personal income and excise taxes using data from the 2014 Household Budget Survey. We describe the concentration of benefits across the distribution, the size of the benefits relative to household incomes, and the share of benefits going to poor versus non-poor households. Given recent changes to the income tax code, we simulate the effects of these changes and demonstrate the distributional impact of recent 2016 tax reform. We then present simulations of what would happen if key tax expenditures were removed and alternative measures were taken to expand the tax base, focusing on the impact of these possible reforms on the poverty headcount rate, progressivity, and inequality and the associated fiscal savings.

We make some preliminary recommendations to release fiscal space for the roll-out of the SSI program. In particular, the team recommends eliminating the tax credit for medical deductions and the 1.5 percent withholding tax credit as we have found that both are regressive and mostly benefit those at the top of the distribution. The team also recommends gradually increasing the income tax rate for seafarers and crewmen to the standard rate. Next, the team recommends reducing diesel refunds for the purpose of heating, as we have found that these are also concentrated among those at the top of the distribution and make up a relatively small share of the incomes of the poor. The team also recommends studying the potential impact of charging the standard excise rate on alcoholic beverages that are currently exempt, including *raki*. Taken together, the tax measures that we propose for elimination represent EUR 343 million in revenues in 2014 and are expected to yield up to EUR 294 million in 2016 or 0.17 percent of GDP. In addition, if the tax base were to expand, up to a billion euro in savings (0.6 percent of GDP) would be possible. Note that these estimates of fiscal savings are upper bounds as households would be likely to change their behavior if these tax measures were no longer in place.

5.1. The Fiscal Cost of Tax Expenditures

Table 11 presents a summary of total tax expenditures as contained in the budget documents submitted to Parliament between 2008 and 2014. Tax expenditure reports are a legal requirement, produced as a separate document that is enclosed with the budget.[45] Tax expenditures in Greece are calculated as foregone revenue on a cash basis.[46] Although total tax expenditures have substantially declined between 2008 and 2014, they amounted to EUR 3.5 billion at the end of 2014 or 2 percent of GDP.[47] Most categories of tax expenditure categories declined, but direct tax expenditures declined substantially more than indirect tax expenditures following the 2012 tax reforms. In particular, personal income tax (PIT) deductions and exemptions declined to about one-tenth of the 2008 levels while VAT tax expenditures more than doubled over the same time period.

Table 11: Tax Expenditures (EUR millions)

	2008	2009	2010	2011	2012	2013	2014
1. Direct taxes	**5,758**	**4,653**	**3,501**	**3,175**	**2,310**	**1,533**	**1,195**
Income taxes	3,814	2,875	2,068	1,742	1,140	328	343
PIT (personal income tax)	3,522	2,642	1,964	1,625	1,070	295	329
CIT (corporate income tax)	292	233	104	116	70	33	14
Capital (incl. property)	1,944	1,778	1,433	1,433	1,170	1,204	852
2. Indirect taxes	**3,086**	**3,551**	**3,327**	**2,354**	**1,987**	**2,082**	**2,326**
Transaction taxes	682	603	491	1,096	997	1,035	1,354
VAT (value added tax)	565	543	455	1,077	942	970	1,263
other (vehicles)	118	60	36	19	55	65	91
Consumption taxes	2,404	2,948	2,837	1,258	990	1,047	972
Total tax expenditures (1+2)	**8,844**	**8,204**	**6,829**	**5,529**	**4,297**	**3,615**	**3,521**

Source: Ministry of Finance

Personal Income Tax (PIT) Expenditures

As in many OECD countries, the personal income tax system has increasingly been used as a mechanism to deliver social benefits in Greece over the last decades.[48] However, many classes of tax reductions and exemptions were eliminated after 2012, including reductions for social security contributions, rental payments, and loan interest payments. Similarly, specific exemptions for children were abolished. However, total PIT exemptions and deductions amounted to EUR 329 million, about 0.2 percent of GDP in 2014 (Table 12). The largest of the existing deductions are those related to medical-hospital expenses, while seafarers and crew members are the largest beneficiaries of special tax relief. Together the two items amount to close to EUR 175 million. Smaller amounts are involved in a withholding tax credit, and

[45] OECD (2010)
[46] The foregone revenue method is an *ex post* calculation of the loss in government revenue incurred by a tax expenditure, with all other factors held constant. Foregone revenue estimates provide a figure based on the actual take-up of a tax relief measure. The benefits of this method include its simplicity since it takes into account neither individual nor government behavioral responses. However, for this reason, foregone revenue estimates can overestimate the direct revenue gain from abolishing or amending a given tax provision (see OECD, 2010).
[47] GDP for 2014: EUR 177.6 billion (ELSTAT)
[48] OECD (2010)

special tax credits for the disabled, pensioners of the social solidarity allowance (EKAS), and those benefitting from unemployment benefits (OAED).

The main personal income tax deductions and credits in Greece are as follows:

Tax credit for medical expenses. Current legislation[49] allows for a deduction equivalent to 10 percent of private medical expenditures incurred by the taxpayer and his/her dependents that are not covered by insurance or the state. In order to qualify for a deduction, the taxpayer's medical expenses must come to more than 5 percent of his/her taxable income.[50] The maximum deductible amount is EUR 3,000. Total tax expenditures on this item during 2014 were EUR 85,218,280 or close to 0.05 percent of GDP.[51]

Officers and lower crew members' special tax rate. Officers serving on merchant ships as well as lower crew members serving on merchant ships have a different tax rate than the rest of Greece's taxpayers.[52] Officers are taxed at a flat rate of 15 percent, while crew members are taxed at a flat rate of 10 percent. The number of taxpayers benefitting from the reduced rate is relatively small, close to 27,000 individuals. However, the deduction per taxpayer is considerable, as the average benefit per taxpayer is EUR 3,291. The total expenditure on this item alone is EUR 88.7 million, representing close to 0.05 percent of GDP.

Withholding tax credit 1.5 percent for employees-pensioners*.* All tax withheld from salaried work and pension income is discounted by 1.5 percent at the time of withholding. [53] This tax expenditure amounted to EUR 54.7 million in 2014, representing 0.03 percent of GDP. This tax expenditure item benefitted the largest number of taxpayers by far in 2014. The average benefit per benefitting taxpayer amounted to EUR 17.

Disability tax exemption and tax credit. Income from salaries, pensions, and fixed fees granted to disabled persons with at least an 80 percent disability rate is exempt from taxation. In addition there is a EUR 200 tax credit for the taxpayer and his/her dependents for: (i) people who are at least 67 percent disabled based on certification from the Disability Certification Center (DCC) or the Supreme Military Health Care Service; (ii) disabled officers and soldiers who have retired or/and officers who suffered trauma or disease as a result of hardship during war; (iii) victims of war or terrorism acts entitled to pension for such reason; and (iv) people who are entitled to receive a disability pension from the state treasury or those who are victims of national resistance or civil war. These tax expenditures amounted to about EUR 14.5 million in 2014 or about 0.01 percent of GDP.

Exemption from the liberal professions contribution and solidarity contribution. Individual professionals are exempt from contributions if the taxpayer has been working in that profession for five years or less, and cases of individual undertakings, if the trader remaining three years from the

[49] Article 18 of Greek tax law
[50] The Income Tax Code (ITC) classifies as taxable income any income remaining after the deduction of allowable expenses from the following income: (i) salaried work and pensions; (ii) any business activity; (iii) equity; and (iv) capital gains from capital transfers.
[51] Note that the rationale for this tax credit was partly to encourage greater formality on the part of medical practitioners.
[52] Article 15 paragraph 2 of ITC.
[53] Article 60 paragraph 3 of ITC

year of his retirement. These tax expenditures amounted to about EUR 14.4 million in 2014 or about 0.01 percent of GDP.

Exemptions for EKAS and OAED unemployment benefit. The pensioners' social solidarity allowance (EKAS.) is exempt from taxation. Similarly, the unemployment allowance granted by the OAED to unemployed beneficiaries is exempt, provided that the sum of the taxpayer's other income does not exceed EUR 10,000 per year. These tax expenditures amounted to about EUR 10 million in 2014 or about 0.01 percent of GDP.

In the distributional analysis that follows, we focus on the tax credit for medical expenses, the withholding tax credit, the disability tax credit, and the EKAS and OAED benefit exemptions as these are the most important social benefits currently being delivered by the tax system. We do not analyze tax expenditures arising from the reduced rate on seafarers and crew members because we could not identify these beneficiaries in the household survey. However, given that slightly fewer than 27,000 individuals benefit from these deduced rates and given that the total cost amounts to EUR 88.7 million in 2014, the average size of these benefits amounts to EUR 3,291 per beneficiary. Assuming that these beneficiaries are officers, then they would be taxed at a flat 15 percent rate, while crew members would face a flat 10 percent tax. If we were to gross up the corresponding wages, average gross market income for officers would be EUR 37,004 for officers and EUR 31,222 for crew members. Assuming there is no other household income, this level of income would put officers in the top 10 percent of the gross market income distribution, while crew members would be in the top 20 percent.[54]

Table 12: Income Tax of Natural Persons, Quantified Tax Expenditure Cost

	Number of cases applying the tax expenditure	Percentage of cases applying the tax expenditure	Tax expenditure cost (euros)
Category of tax expenditure			
A. Total number of tax deduction cases	1,780,934		87,696,270
Medical-hospital expenses	1,727,033	96.97	85,218,280
Gifts and sponsorships	53,901	3.03	2,477,990
B. Total number of cases applying special tax relief	5,180,926		187,600,511
Disability tax credit €200 (individual and members)	180,052	3.47	14,468,990
Special taxation of seafarers	26,941	0.52	88,667,739
Additional tax-free amount for residents in islands with a population of 3,100 or less and in the island of Kefalonia	38,617	0.75	451,323
Withholding tax credit 1.5% for employees-pensioners	3,219,942	62.15	54,746,433
Exemption from the liberal professions contribution and solidarity contribution	76,396	1.47	14,375,829
Credit 2% for lump sum payment of tax	1,038,384	20.04	2,284,961
EKAS exemption	313,055	6.04	5,961,415
OAED unemployment benefit exemption	235,829	4.55	4,037,128
Reduced tax rate for new traders	51,710	1	2,606,693
TOTAL (A) + (B)	6,961,860		275,296,781
C. Depreciations and expenses of real property			53,683,302
Total cost (A) + (B) + (C)			**328,980,083**

[54] We have ignored the withholding discount for this exercise. This estimate uses average household adult equivalent values.

Source: World Bank staff estimates based on unpublished data of the Directorate of e-Governance (e-applications).

Excise Tax Expenditures

Tax expenditures from refunds of excise duties were three times larger than all tax expenditures from personal income taxes, amounting to a total of EUR 972 million or 0.5 percent of GDP in 2014. Table 13 shows the tax expenditure amounts that correspond to energy, tobacco, and alcohol products. The largest tax expenditures are from energy and alcohol products. Expenditures for energy include a refund of excise duty on diesel oil for farmers, which was abolished in 2016.[55] Also included in energy product tax expenditures is the reduced rate of excise during the winter season.

Tax expenditures for energy products amount to over half the expenditures associated with excise duties and amount to roughly 0.3 percent of GDP (Table 14). Among tax expenditures related to energy products, the most significant is the exemption for coal, lignite, and coke used for electricity generation as shown in Table 14, followed by reduced rates for diesel used for heating during winter and for agriculture. During the period of the October 15th until April 30th, 2014, the regular excise duty on gas oil used for heating was reduced from EUR 330 to EUR 230 per 1,000 liters of gas oil.[56] Households must file a claim in order to receive this refund. The expenditure for this item in 2014 was EUR 114,524,500, equaling roughly 0.06 percent of GDP. The reduction in excise duty for gas oil used exclusively as motor fuel in agriculture resulted in tax expenditures of EUR 72,476,378 during 2014.[57] This amount represents 0.04 percent of GDP. There is also a pretty large exemption for navigation within EU waters. The other large component of excise tax expenditures relates to ethyl alcohol and alcoholic beverages, which amounts to roughly 0.23 percent of GDP. Among these, the largest component is for ethyl alcohol not intended for human consumption aimed as a support for industry and craft businesses. However, large exemptions also exist for alcohol in *raki* (EUR 101 million, 0.06 percent of GDP) and vinegar (EUR 58 million, 0.03 percent of GDP).

Table 13: Tax Expenditure Cost of Excise Duties

	Excise duty receipts (euros)	Foregone revenue	
		Amounts (euros)	Percentage of total receipts
Energy products	4,107,007,000	558,594,054	13.6
Industrialized tobacco	2,418,888,301	760,110	0.03
Ethyl alcohol and alcoholic beverages	389,749,483	411,616,238	105.61
Isopropyl alcohol	225,845	1,524,315	674.94
Total	**6,915,870,629**	**972,494,717**	**14.06**

Source: Ministry of Finance

[55] This is part of the Memorandum of Understanding prepared by the European Stability Mechanism. http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/pdf/report_on_compliance_with_prior_actions_en.pdf
[56] These figures relate to the situation as of January 2016. The refund of excise tax for heating was abolished in October 15, 2012 (OECD, 2013).
[57] European Commission documents state that the reduction is from the standard EUR 330 to EUR 66 per 1,000 liters. This results in a refund of EUR 0.264 per liter of gas oil.

In the distributional analysis that follows, we focus on the reduced rate for gas oil used for heating. This focus is in part because reduced rates for agricultural production have already been abolished, and analyzing other kinds of energy tax expenditures would have required additional research outside the scope of this report. These would have included tax expenditures on fuel used for navigation on EU waters and the exemption for hard coal, lignite, and coke used for electricity generation, which are aimed at trade and tourism development, so that an evaluation of those tax expenditures would need to consider potential supply-side effects. Similarly, additional research would have been needed to analyze for alcohol tax expenditures because, although both *raki* and vinegar can be identified in the household survey, the reduced rate is applied on distilled alcohol for their production so quantifying the knock-on effects would have required additional information on the cost structure of these goods. In addition, white vinegar is often used as an intermediate input for a variety of products.[58] Finally, any evaluation of the tax exemption on denatured alcohol would have required us to estimate indirect effects because a multiplicity of goods use this type of alcohol as an input.

Table 14: Excise Tax Expenditures, 2014

	Expenditure (thousands of euros)	Percent of GDP	Percent of total tax expenditures
Total excise tax expenditures	**972,495**	**0.55**	**27.6**
Energy products	**558,594**	**0.31**	**15.9**
Navigation within EU waters and air navigation	86,027	0.05	2.4
Electrical insulation material	1,232	0.00	0.0
Equipment/vehicles intended for use off the public roadway	7,980	0.00	0.2
Propellant in hotels	1,392	0.00	0.0
Propellant for hospitals	1,504	0.00	0.0
Aromatic hydrocarbons and compounds used as raw materials	2,972	0.00	0.1
Reduced rate for kerosene used for heating during the winter	499	0.00	0.0
Reduced rate for diesel used for heating during the winter	114,525	0.06	3.3
Reduced rate for diesel used for agriculture	72,476	0.04	2.1
Zero rate applies to natural gas used as motor fuel	1,701	0.00	0.0
Exemption for hard coal, lignite and coke used for electricity generation	252,858	0.14	7.2
Excise on electricity is exempt for agricultural uses	11,946	0.01	0.3
Excise of diplomatic/consular relations is exempt	3,481	0.00	0.1
Manufactured Tobacco	**760**	0.00	0.0
For workers of tobacco companies	760	0.00	0.0
Ethyl alcohol and alcoholic beverages	**413,141**	0.23	11.7
Exemptions			
Medical purposes	5,064	0.00	0.1

[58] Distilled alcohol is fermented to produce white vinegar which is then used for cooking, baking, meat preservation, pickling, medicinal laboratory uses, and cleaning. The traditional Greek beverage *oxymel* is made with vinegar and honey. Thus analyzing just the amount of vinegar purchased by households would not paint the entire picture of the effects that may occur if the expenditure were removed.

Production of vinegar	58,426	0.03	1.7
Production of medicines and foodstuffs	21,197	0.01	0.6
Reduced rates			
Beer produced by independent small breweries	6,680	0.00	0.2
Ouzo or contained in *tsipouro* and *tsikoudia* (*raki*)	59,417	0.03	1.7
Samples for production tests or for scientific purposes.	11	0.00	0.0
Scientific research.	201	0.00	0.0
Tsipouro and *tsikoudia (raki)* produced by small distillers	41,944	0.02	1.2
Denatured ethyl alcohol	75,141	0.04	2.1
Denatured according to Greek or EU member state law	143,094	0.08	4.1
Natural sweet wine (liqueur wines)	440	0.00	0.0

Source: Ministry of Finance

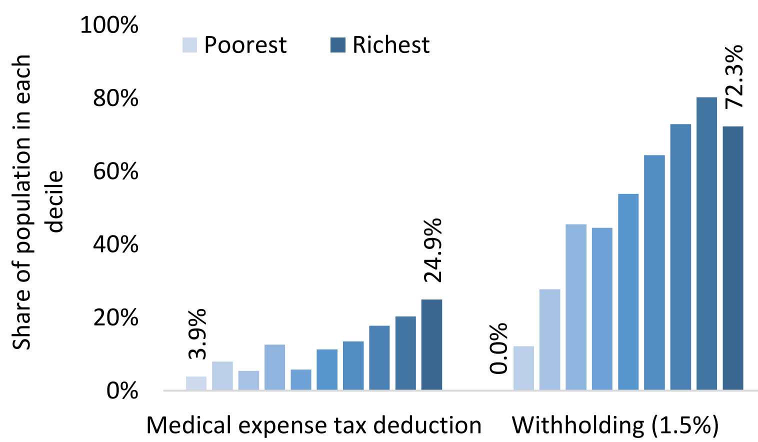
5.2. Distributional Impact of Tax Expenditures

An assessment of the allocation of tax expenditures across different taxpayer groups is necessary to understand the distributional impact of both tax expenditure provisions and any proposed adjustments to them. In this analysis, we focus is on five key categories of tax expenditures noted above. In particular, in the case of personal income tax expenditures, we focus on the tax credit for medical expenses, the 1.5 percent withholding tax credit, and the disability tax credit. In the case of excise tax expenditures, we focus on reduced rates for gas oil used for heating and for agricultural production. Altogether these five tax expenditures amounted to roughly EUR 341 million during 2014 (0.2 percent of GDP).

Tax Expenditures from Income Taxes

A large share of higher-income households qualify to benefit from personal income tax medical expense deductions,[59] as shown in Figure 26. For example, 25 percent of individuals in the top decile benefit from some form of medical expense deduction, while only 4 percent of individuals in the poorest decile do so. When we consider the differences between poor and non-poor households,

Figure 26: Share of Population Receiving Tax Expenditure Benefits (by gross market equivalized income deciles)



Source: World Bank staff estimates using ELSTAT HBS 2014

[59] Having medical expenses is necessary but not sufficient to benefit from the deduction. Medical expenses must amount to more than 5 percent of the taxpayer's taxable income. Additionally, the taxpayer must owe or have paid taxes to benefit.

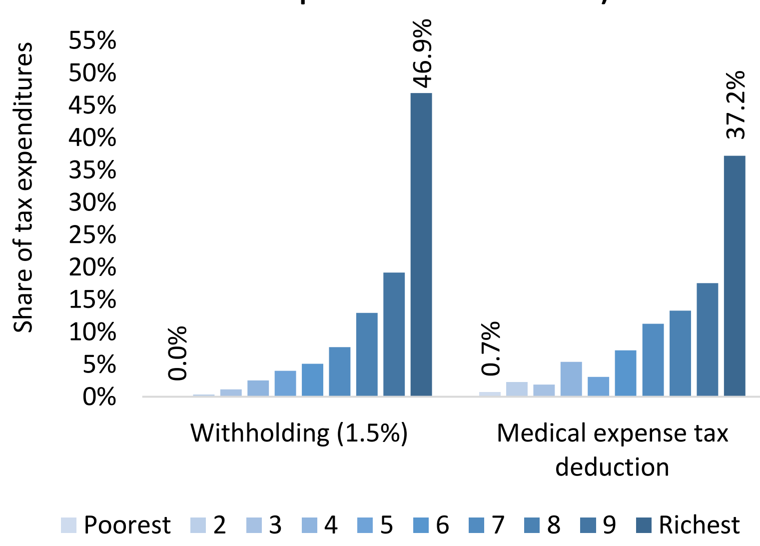
only 3.1 percent of the poor[60] benefit from some sort of tax deduction for medical expenses, while 14.8 percent of the non-poor benefit.

Similarly, the better-off are more likely to benefit from tax withholding discounts: 72 percent of individuals in the top decile and 80 percent of individuals in the 9th decile benefit from tax withholding discounts, while no households in the poorest decile benefit from these tax expenditures. This is not surprising given that, in order to qualify for this tax credit, an individual must receive income from wage employment or pensions. Since a relatively small share of individuals in the poorest decile is in formal employment, they are less likely to benefit from this tax credit. Thus, the majority of those who benefit come from better-off portions of the population, while only 19 percent of the poor benefit.

The incidence of medical expense and withholding tax expenditures is as follows:

- ***Tax expenditures related to medical expense deductions are absolutely regressive.*** Our analysis shows that 37 percent of benefits go to those in the richest 10 percent of the distribution (amounting to close to EUR 32 million in 2014), while only 10.3 percent of benefits go to the poorest 40 percent of Greeks (EUR 10 million in 2014) (Figure 27). Only 3 percent of poor households receive these benefits. Moreover, since these benefits make up only between 0.9 and 1.6 percent of the incomes of those in the bottom 40 percent of the distribution, eliminating them is not expected to have large negative impact on the welfare of those at the bottom of the income distribution. Standard incidence measures imply that these benefits are absolutely regressive, as shown by a negative Kakwani coefficient (-0.162) (Table 15).
- ***Tax expenditures related to the 1.5 percent withholding tax credit are absolutely regressive.*** Our analysis shows that 47 percent of this tax credit accrues to those in the top income decile, amounting to almost EUR 25.6 million in 2014, while only 4 percent benefits the bottom 40 percent of the distribution. Although 19 percent of poor households benefit from this tax credit, these benefits make up only between 0 and 0.05 percent of the incomes of those in the bottom 40 percent of the distribution. Consequently, eliminating them is not expected to have a significant negative impact on poverty. Standard

Figure 27: Concentration of Direct Tax Expenditures (by gross market equivalized income deciles)



Source: World Bank staff estimates using ELSTAT HBS 2014

[60] Using HBS data, ELSTAT defines the poor using expenditures as opposed to incomes as is done in the EU-SILC. Poor households are defined as those living on less than 60 percent of median equivalized household expenditure.

incidence measures imply that these benefits are absolutely regressive, as shown by a negative Kakwani coefficient (-0.281).

Table 15: Measures of Progressivity

	Concentration Coefficient	Kakwani
Medical expenses reduction	0.525	-0.162
Disability tax credit	-0.007	0.371
Withholding	0.644	-0.281

***Source*: World Bank staff estimates using HBS 2014**

- ***Disability tax credits seem to be progressive and to reduce poverty.*** Note that our analysis of these benefits should be interpreted with caution as the household survey data do not include a large enough sample of disabled individuals to draw firm conclusions. Based on the available data, disability tax credits are more or less spread out throughout the distribution, with 14 percent of the benefits going to those in the bottom 10 percent of the income distribution and 23 percent going to those in the top 30 percent. In addition, disability benefits make up a significant share of the incomes of the poor – 23 percent of the gross market incomes of the bottom 10 percent of the distribution. Not only are these benefits progressive (as measured by the Kakwani index) but they also reduce poverty.

Simple analysis suggests that tax expenditures on seafarers and crew members disproportionately favor the non-poor. However, we do not analyze tax expenditures related to the reduced rate on seafarers and crew members because we cannot identify these beneficiaries in the household survey data. However, some basic conclusions can be reached. Given that slightly fewer than 27,000 individuals benefit from these deduced rates and the total cost in 2014 amounted to EUR 88.7 million, the average size of these benefits amounts to EUR 3,291 per beneficiary. Assuming these beneficiaries are officers, they would be taxed at a flat 15 percent rate, while crew members would pay a flat 10 percent tax. If we were to gross up the corresponding wages, the average gross market income for officers would be EUR 37,004 for officers and EUR 31,222 for crew members. Assuming no other household income sources, this level of income would put officers in the top 10 percent of the gross market income distribution, while crew members would be in the top 20 percent.[61]

Tax-free Threshold and Recent Changes in Direct Taxes

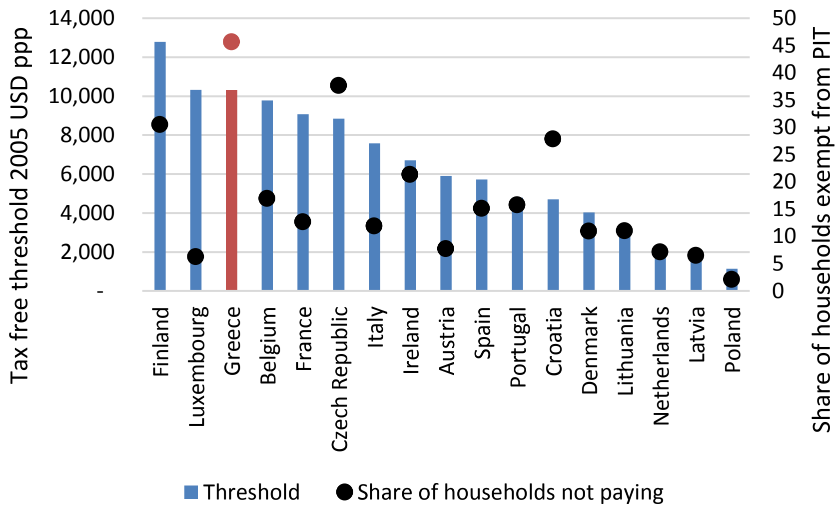
Aside from generous tax expenditures, a large share of households did not pay any PIT in 2014, partly due to a relatively generous tax credit. Up until recently, incomes up to EUR 21,000 qualified for a EUR 2,100 tax credit, with the credit decreasing by EUR 100 for every EUR 1,000 over EUR 21,000 in income.[62] The credit meant that anyone making less than EUR 9,545 per year would not have to pay any tax on their pension or wage income. Using data from the 2014 HBS and applying the tax code, we found that 46.9 percent of households in Greece paid taxes from wage employment or pensions. This share of households is very close to the amount cited by the IMF.[63] The tax credit provided by article 16 in 2014, however, only

[61] We have ignored the withholding discount for this exercise. This estimate uses the country's average household adult equivalent values.
[62] Law 4172, Art 16.
[63] http://www.imf.org/external/np/tr/2016/tr041516.htm

applied to wage income and pensions. Income from self-employment as well as agricultural income does not qualify for the tax credit. If taxes on agricultural incomes and self-employment are also included in the share of Greek households who paid personal income tax, then this figure increases to 63.5 percent,[64] which implies that close to 37 percent of households did not pay PIT, which is higher than the EU average.

The existence of this tax credit implies that a high share of households does not pay personal income taxes. Figure 28 shows that the Greek tax-free threshold was the third highest in PPP terms among all EU countries included in the sample. This threshold results in Greece having the largest share of households who are exempt from paying taxes.[65]

Figure 28: Personal Income Tax Free Thresholds in the EU



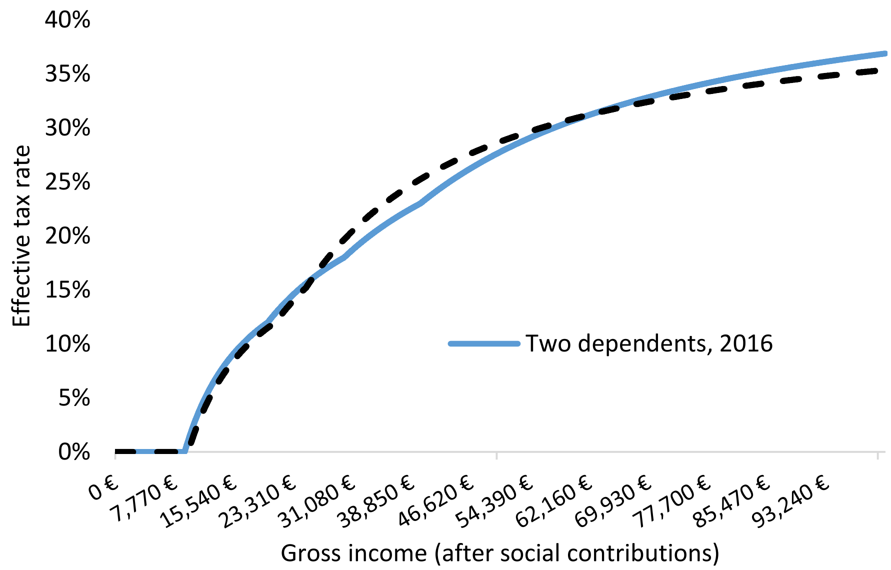
Source: World Bank estimates based on EU-SILC 2012. See Annex 4 for full source list.

Several changes to the PIT were enacted in 2016. Law 4387 approved in May 2016 made some changes to the income tax code by including a new tax schedule for incomes from wages and pensions as well as for self-employment and agriculture, and lowing the tax credit. The tax credit is now EUR 1,900 for incomes below EUR 20,000, with this credit decreasing by EUR 10 for every EUR 1,000 over EUR 20,000 in income. Moreover, changes in the law imply that households will qualify for a slightly lower tax-free threshold ranging from EUR 8,636 to EUR 9,545, depending on the number of dependents.[66]

[64] The amounts correspond to the HBS 2014. For self-employment and agricultural income tax, it is assumed that taxes on those incomes have indeed been paid.
[65] More details on how this was calculated can be found in the Annex 4.
[66] Households with no dependents receive the full credit, those with one dependent receive EUR 1,950, those with two dependents receive EUR 2,000, and those with three or more get EUR 2,100.

When compared to the 2015 tax code, the resulting effective tax rate to be paid by poorer households in future years will be slightly higher for households with incomes up to EUR 25,000, lower for households with incomes between EUR 25,000 and EUR 60,000, and higher for households with incomes over EUR 60,000 (Figure 29).

Figure 29: Income Tax Rates for Labor Income and Pensions



Source: World Bank staff estimates based on reported tax rules

The updated tax rules have also standardized tax rates for farmers and self-employed workers who previously paid lower tax rates. For farmers, this means that they will now be subject to the same tax rates as wage workers, but they will also be able to benefit from the EUR 1,900 tax credit. For self-employed workers, their tax rates are now also similar to those paid by salaried workers, with the difference being that they cannot benefit from the tax credit.

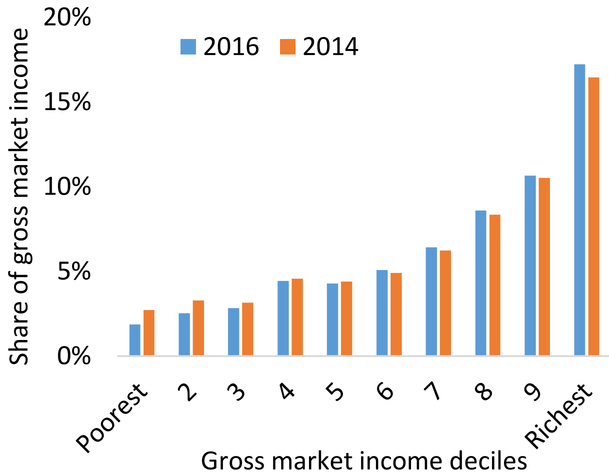
These adjustments made by the Greek government ensure that a higher share of Greeks will pay taxes on wage income and pensions. The share of households who are expected to pay taxes from wage employment or pensions will increase from 46.9 to 50.9 percent, which is still well below the regional average. If we include taxes paid on agriculture and self-employment, then the share of households paying personal income tax increases to 63.0 percent, which is slightly below the share of households indicated by the 2014 tax schedule. This is mostly the result of many farm households no longer being subject to taxation given that they now qualify for the tax credit.

Despite the small decline in the share of households paying personal income tax, the amount collected by the tax system is projected to increase by over EUR 200 million net, with the majority of this coming from wage and pension incomes. In fact, taxes on wage income and pensions are projected to amount to an additional EUR 300 million, while the adjustment of taxes for the self-employed and more importantly the extension of the credit to agricultural income will lead to a decline of about EUR 100 million.

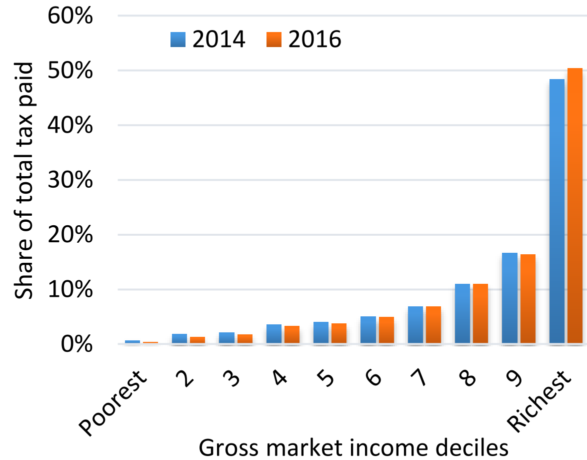
The recent changes in income taxes are expected to be progressive. In particular, direct taxes are expected to represent a lower share of gross market incomes at the bottom of the distribution after these changes, partly because farmers now qualify for the tax credit. At the same time, a larger share of taxes will fall on those in the middle of the distribution (Figure 30). Overall, these changes will lead to a more progressive direct tax structure – the Kakwani index for direct taxes is expected to increase from 0.24 in 2014 to 0.27 in 2016 as a result of these changes.

Figure 30: Direct Taxes Are Expected to Become More Progressive as a Result of Law 4387

A. Direct tax burden (share of gross market income)



B. Concentration of PIT payments (by income deciles)



Source: World Bank staff estimates based on ELSTAT HBS 2014.

Winter Heating Excise Tax Expenditures

Poorer households are less likely than others to benefit from heating excise tax expenditures. The HBS data for 2014 made it possible for us to identify the population that is most likely to benefit from tax expenditures on refunds for gas oil used for heating (Figure 31).[67] Those households most likely to benefit from the heating refund are those with central heating or a gas oil heating stove. Poorer segments of the population are unlikely to live in houses with these amenities and consequently are less likely to benefit from these tax expenditures. While only 16.6 percent of households in the poorest 10 percent of the population have access to diesel heating, more than half of those belonging to richest decile are likely to benefit from the refund. Additionally, only 20 percent of the poor benefit from heating refunds, while close to 43 percent of the non-poor benefit.

Tax expenditures related to the winter heating refund are concentrated at the top of the distribution but are progressive relative to the household incomes of the poor. Given that the better-off are more likely to live in households that have heating that is fueled by gas oil, it is not surprising that 40 percent of these refunds benefit the top 30 percent of the distribution, while the poorest 40 percent of the population receive only 27 percent of the funds (Figure 32). These benefits are relatively progressive in the sense that they make up a slightly higher share of the incomes of the poorest decile (2 percent of gross market income) than of the incomes of the richest decile (where they account for only 0.2 percent of gross market income) as shown by a positive Kakwani coefficient (0.173). They are not hugely significant for any households, but it is still also true that lower-income households could be hurt by the removal of these exemptions. The next section describes the potential impact on poverty of removing these tax expenditures.

[67] Although the refund for heating gas oil was abolished in 2012, recent OECD publications indicate that the refund is again in effect in 2016. We simulate the share of households receiving the benefit by applying the 2016 rules.

Figure 31: Potential Beneficiaries of Heating Excise Tax Refunds (by gross market equivalized income deciles)

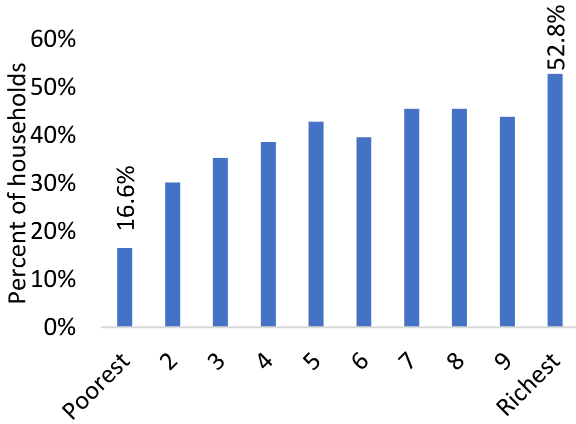
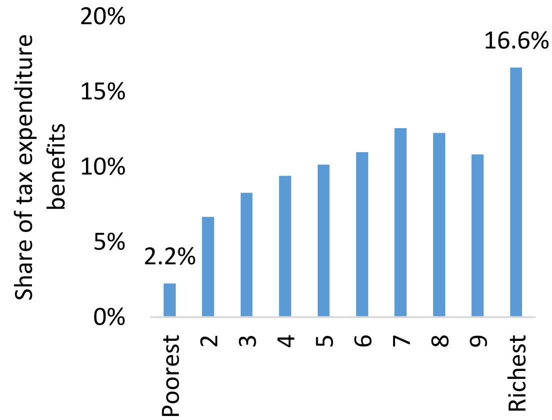


Figure 32: Concentration of Heating Excise Tax Expenditures (by gross market equivalized income deciles)

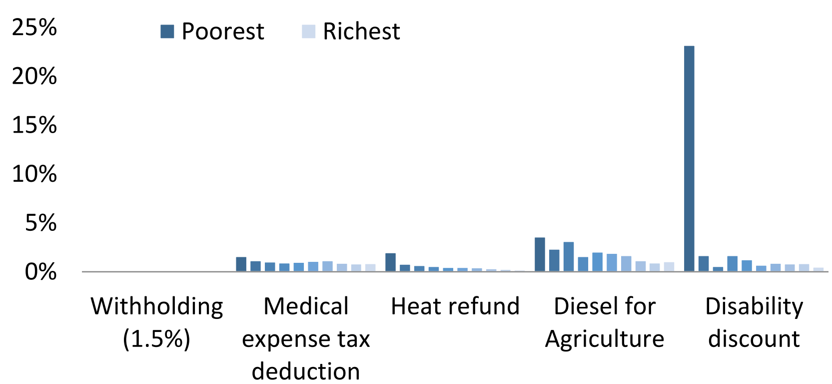


Source: World Bank staff estimates using ELSTAT HBS 2014

5.3. Simulation of Tax Expenditure Cuts on Poverty and Inequality

The benefits of the income and excise tax expenditures are not big enough to have a significant impact on household income (Figure 33). As such, removing all but the disability tax credit would be likely to have only a minor impact on poverty and inequality.

Figure 33: Tax Expenditures as a Share of household Market Income (by gross market equivalized income deciles)



Source: World Bank staff estimates based on ELSTAT HBS 2014. Shares are conditional on having received the tax expenditure.

Table 16 presents simulations of what would happen as a result of abolishing each type of tax expenditure. The results show that the anchored headcount poverty rate would not change after the removal of the 1.5 percent tax credit on withholding, but there would be a slight reduction in income inequality by 0.02 Gini points.

If the medical expense tax deduction was to be eliminated, the simulation shows that the anchored poverty headcount rate would increase by 0.03 percentage points, while inequality would decline slightly by 0.03 Gini points. The removal of the heating refunds would increase the anchored poverty headcount by 0.01 percentage points and the poverty gap by 0.01 point. The small sample of households benefitting from the disability discount did not allow us to come to any strong conclusions, but based on the existing information we would not recommend removing this particular kind of tax expenditure at this time.

Given the potential fiscal savings and the relatively small poverty impact resulting from the elimination of all but the disability tax expenditures, it is clear that the government could better protect the poor if these benefits were delivered as a targeted transfer to the poorest households through the GMI program. The accompanying report on social benefits includes simulations to show the combined impact of removing these tax expenditures and replacing them with a targeted SSI.

Table 16: Impact on Poverty and Inequality of the Removal of Tax Expenditures

	Anchored poverty			Relative poverty			Gini
Expenditure removed	Head count	Gap	Severity	Head count	Gap	Severity	
2014 Tax legislation	19.346	7.093	4.126	19.346	7.093	4.126	32.781
2016 Tax legislation	**19.292**	**6.996**	**4.077**	**19.220**	**6.986**	**4.073**	**32.395**
Simulations of removing the following tax expenditures							
Withholding (1.5%)	19.292	6.997	4.077	19.193	6.976	4.067	32.376
Medical expense tax deduction	19.321	7.003	4.080	19.222	6.980	4.069	32.362
Heating refunds	19.302	7.008	4.083	19.211	6.985	4.072	32.406
All of the above	19.321	7.007	4.083	19.222	6.984	4.072	32.346

Source: World Bank estimates using ELSTAT HBS 2014 and 2016 tax legislation
Note: The anchored poverty line uses the 2014 AROP line.
.

5.4. Simulating an Expansion of the Tax Base

In this section, we discuss two additional simulations that we undertook to assess the distributional impact and potential fiscal savings that would result from expanding the tax base. As described earlier, a large share of households do not pay any PIT due to a generous tax credit. Incomes up to EUR 20,000 qualify for a EUR 1,900 tax credit with the credit decreasing by EUR 10 for every EUR 1,000 over that amount. Households with no dependents receive the full credit, those with one dependent receive EUR 1,950, those with two dependents receive EUR 2,000, and those with three or more get EUR 2,100. This means that households with incomes up to EUR 9,545 (depending on the number of children) pay no personal income taxes, and this adds up to 37 percent of all Greek households (including those containing self-employed and agricultural workers). The total amount of tax revenue lost to the public budget as a result of the standard tax credit is approximately EUR 8.6 billion. High-income households benefit more than poorer households from this credit. For instance, only 2.1 percent (approximately EUR 185 million) of the lost revenue from the tax credit currently goes to the poorest decile (see Figure 34). This is because most households in the poorest decile do not pay taxes or pay lower amounts and can therefore only benefit from a small proportion of the tax credit. The share of lost revenue increases by decile, with the 9th decile receiving the highest share of 14.4 percent[68] or about EUR 1.25 billion. This is nearly 7 times more than

[68] Because of the gradual tapering off of the tax credit, those in the top decile benefit less (receiving a share of about 12.7 percent) than those in the 7th, 8th, and 9th deciles.

the amount of benefit received by those in the poorest decile. To address this, each of the proposed scenarios increases the tax base, which would open up the fiscal space to implement a more targeted social assistance program.[69]

Figure 34: Those in the Upper Deciles Benefit Most from the Standard Tax Credit

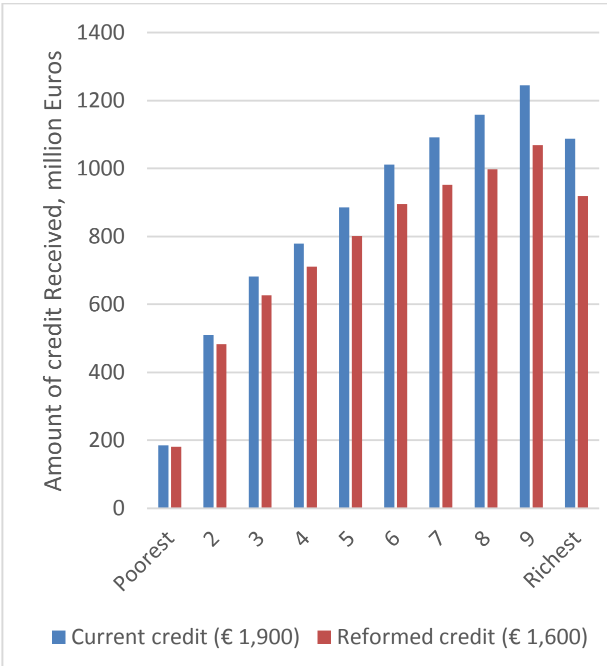
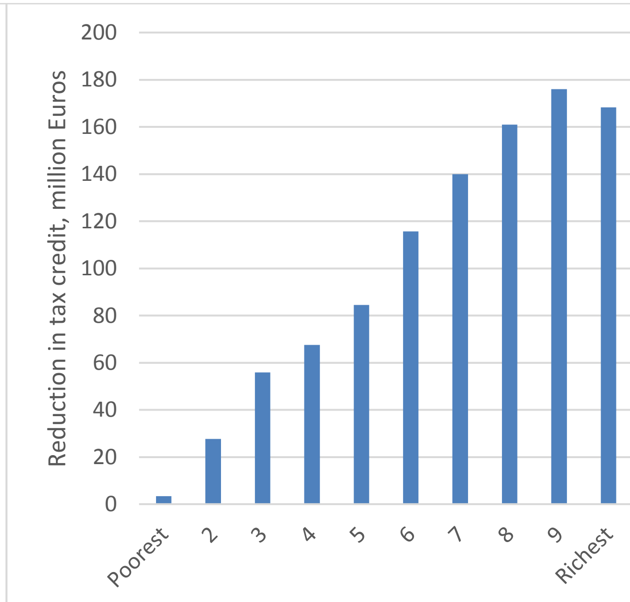


Figure 35: The Poorest Would Not Pay Much More If the Tax Credit Was Reduced to EUR 1,600



Source: World Bank staff estimates based on EU-SILC 2013
Note: The distributional effects of lowering standard tax credit to EUR 1,600.

The first simulation aims to raise EUR 1 billion. This amount could sustainably finance the proposed GMI program or a reduction in marginal tax rates in order to reduce the tax wedge in Greece, which is extremely high by regional standards. In order to achieve EUR 1 billion in savings, the tax credit would have to be lowered to about EUR 1,600. The EUR 300 difference from the original tax credit is considerable but would still leave Greece with a tax-free threshold of EUR 7,273. The share of households that pay taxes on wage, agricultural, self-employment, and pension incomes would increase considerably from 63.0 to 72.7 percent. Figure 35 shows the extent to which the savings obtained from this reduction would be distributed across the deciles, with the poorest decile seeing an increase of only a very small amount in additional taxes paid (of some EUR 3.46 million). The reduction would affect individuals in the upper deciles, with the 8th, 9th and 10th decile facing increases of more than EUR 160 million per decile. Under this scenario, personal income taxes would be less progressive (Kakwani of 0.236 compared to the current 0.271) and anchored poverty would increase by close to half a percentage point from 19.3 to 1 9.6 percent (Table 17). If these savings were to be channeled into social assistance programs, this would cushion the poor from any negative effects of the change.

[69] Note that these simulations do not take into account any possible behavioral responses to these reforms**.** As a result, the estimated fiscal savings are an upper bound estimate.

The second simulation fixes the tax credit amount at EUR 1,900 regardless of the number of dependents with the aim of replacing the implicit benefit for children with explicit targeted cash transfers. While the current changes to the tax code aim to benefit households with more children, they can only be realized by households who have a large enough tax liability, so the full tax credit tends to benefit better-off households. For instance, a household with only one wage earner and three dependents will be eligible for the full EUR 2,100 tax credit only if the wage earner's tax liability corresponds to an income of at least EUR 9,545. A similar household with an income of EUR 9,091 will only be eligible for a EUR 2,000 tax credit. In order to improve the targeting of these benefits, the tax credit could be set at EUR 1,900 regardless of household size, with the savings to be delivered through a better targeted cash transfer. We found that the distributional impact of such a change in legislation would lead to a slightly less progressive taxation regime (Kakwani of 0.267 compared to the current 0.271), a small increase in anchored poverty (from 19.29 to 19.34 percent), and a small increase in the share of households that pay personal income tax (from 63.0 to 63.6 percent) (see Table 7). The additional revenue could amount to EUR 65 million that could be reallocated to the targeted Unified Child Benefit, which would more than offset the increase in poverty.

Table 17: Distributional and Fiscal Impact of Expanding the Tax Base

	Anchored poverty			Relative poverty					
Expenditure removed	Head count	Gap	Severity	Head count	Gap	Severity	Gini	PIT Kakwani index	Fiscal savings (EUR million)
2014 Tax legislation	19.346	7.093	4.126	19.346	7.093	4.126	32.781	0.245	
2016 Tax legislation	**19.292**	**6.996**	**4.077**	**19.220**	**6.986**	**4.073**	**32.395**	**0.271**	
Simulations									
Set credit at EUR 1,900 for all	19.339	7.006	4.079	19.240	6.983	4.068	32.412	0.267	65.1
Save EUR 1 billion (set credit at EUR 1,599)	19.625	7.085	4.099	18.974	6.860	3.991	32.364	0.236	1,001.4

Source: World Bank estimates using ELSTAT HBS 2014 and 2016 tax legislation.
Note: The anchored poverty line uses the 2014 AROP line.

5.5. Recommendations

Based on the analysis done to date, we present some preliminary recommendations for the elimination of tax expenditures to release fiscal space for the first phase of the roll-out of the GMI program (Table 8):

- ***Eliminate medical expense deductions.*** Our distributional analysis demonstrated that these tax expenditures are regressive, in that they disproportionately benefit those at the top of the distribution in both relative and absolute terms. Eliminating these tax expenditures is likely to have only a minimal negative impact on those at the bottom of the distribution but will potentially raise up to EUR 86.8 million in revenue, which could be reallocated to the targeted GMI program.

- ***Eliminate the 1.5 percent withholding tax credit*.** Our distributional analysis demonstrated that these tax expenditures are also regressive, in that they disproportionately benefit those at the top of the distribution in both relative and absolute terms. Eliminating these tax expenditures is likely to have only a minimal negative impact on those at the bottom of the distribution but will potentially raise revenue amounting to EUR 54.7 million (as of 2014), which could be reallocated to the targeted GMI program.

- ***Gradually increase the income tax rate for seafarers and crewmen to the standard rate*.** Although the household budget survey did not enable us to directly identify seafarers and crewmen, it was clear that the beneficiaries of these special rates are in richest 20 percent of the gross market income distribution. Eliminating these tax expenditures has the potential to increase revenue by EUR 88.7 million, which could be reallocated to the targeted GMI program.

- ***Reduce diesel refunds for the purpose of heating*.** Given that the better-off are more likely to live in houses that have heating that is fueled by gas oil, most of the benefits of this kind of refund are concentrated at the top of the distribution. Despite the fact that these benefits make up a slightly higher share of the incomes of the poorest decile, they amount to only 1 percent of gross market incomes of the poorest 10 percent of the population. Eliminating these tax expenditures has the potential to increase revenue by EUR 64 million, which could be reallocated to the targeted GMI program.

- ***Undertake further analysis of the impact of increasing the excise rate on alcoholic beverages that are currently exempt, including raki***. The purpose of excises on alcohol is to reduce its consumption for health reasons. Further analysis should be done to consider the potential losses that might be incurred by producers of *raki, ouzo, tsipouro,* and *tsikoudia* and small distillers if this excise rate were to be increased.

- ***Consider expanding the tax base by reducing the income tax credit*.** Substantial savings could be generated by reducing the tax credit and expanding the tax base to a degree that is in line with the rest of the region. Provided that this move was complemented by a better targeted family benefit, this could lead to a more equitable, and more fiscally sustainable, fiscal system.

Taken together, the tax expenditures that we recommend for elimination represented EUR 343 million of foregone revenue in 2014 or 0.19 percent of GDP[70]. Given recent changes in legislation, we estimate that eliminating them could yield up to EUR 294 million in 2016 or 17 percent of GDP (Table 8). In addition, if the tax base were to expand, up to EUR 1 billion in savings (0.6 percent of GDP) would also be possible. While it is true that these estimates of fiscal savings are upper bounds as households would be likely to change their behavior once these tax expenditures were no longer in place, the proposed cuts would open some fiscal space to help to finance the introduction of the SSI program. Given that a broader tax base would eventually make it possible to lower tax rates and therefore reduce the tax wedge, there would be potential for some significant behavioral responses. Future analysts might aim to develop some sensitivity scenarios to estimate the potential amount of revenue that could be collected under different behavioral responses to the proposed elimination of tax expenditures.

[70] Not counting the agricultural diesel refund which has been abolished

Table 18. Recommendations, Potential Collections, Progressivity, and Tax Compliance

	Foregone Revenue				Progressivity		Increase in poverty rate (percentage point)	Tax Compliance
	Euro Million 2014	Percent of GDP 2014	EUR Million 2016e	Percent of GDP 2016e	Kakwani coefficient			Behavioral responses and tax compliance impact?
1.Eliminate medical deductions	85.2	0.05%	86.8	0.05%	-0.162	Regressive	0.03	Informal provision of health services could increase if patients can no longer request deductions for formal medical care.
2.Eliminate the 1.5 withholding tax credit	54.7	0.03%	54.7	0.03%	-0.281	Regressive	0.00	
3.Gradually increase tax rates for seafarers	88.7	0.05%	88.7	0.05%			NA.	Seafarers might relocate
4.Reduce refunds for diesel used for heating	114.5	0.06%	64.0	0.04%	0.173	Progressive; not pro-poor	0.01	Large behavioral changes not expected
5.Undertake further analysis of increasing excise rates on exempt alcoholic beverages								Informal sale of alcohol possible
TOTAL	**343.1**	**0.19%**	**294.2**	**0.17%**				

Source: World Bank staff estimates based on ELSTAT HBS 2014 and 2016 tax legislation. The nominal GDP forecast for 2016 is 175.199 billion euros (WEO, April 2016).

6. Disability Benefits

The system of disability benefits in Greece is complex, inefficient and inequitable. There are multiple categories of disability benefits, multiple entities are involved in delivering benefits, and laws allow for multiple benefits to accrue to some insured individuals with disabilities. The disability benefit system recognizes various medical conditions specific to disability pensions, multiple conditions apply to the provision of non-contributory cash benefits to the insured, and there are 101 different categories of disability at the municipal level and 18 at the regional level. There is no standard definition of disability that is uniformly applied to contributory and non-contributory benefits. As this section will show, aggregate spending on disability benefits is not generous, but design and administration lead to inequitable outcomes.

Support to people with disabilities is provided through both social insurance and social assistance. Contributory disability pensions are based on pensionable earnings, usually over the previous five years, and the number of contribution days. No contributory record is required if the worker is insured and suffers from a work-related disability of at least 50 percent.[71] Similar to contributory disability pensions, non-contributory disability assistance is provided based on assessment of a medical impairment. The

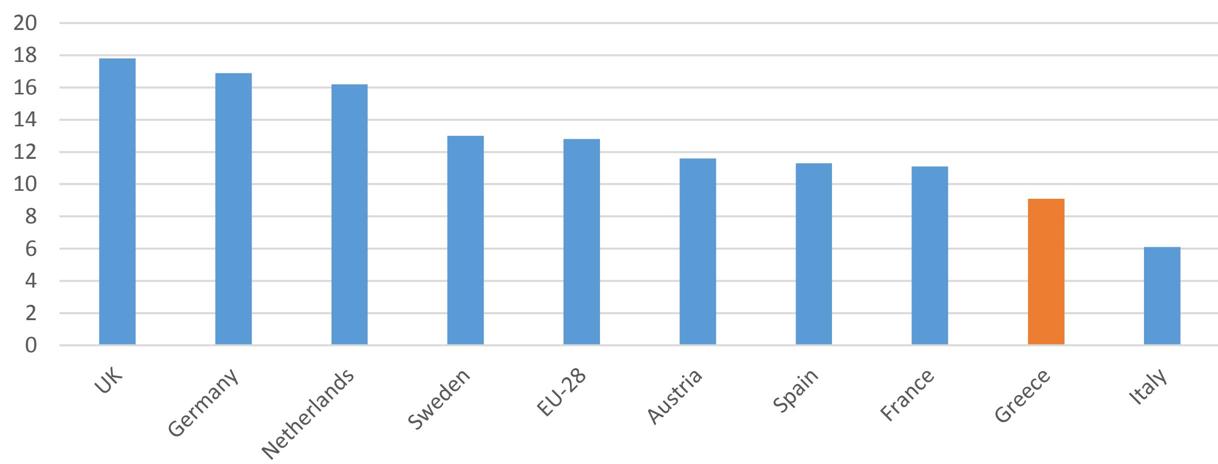
[71] A medical committee assesses the degree of disability of the insured claimants as being severely disabled (80 to 100 percent), moderately disabled (67 to 79 percent), or partially disabled (50 to 66 percent).

amount of disability assistance is based on diagnosis of particular medical conditions (see Annex 5). Disability benefits in this report are defined as both contributory disability pensions and non-contributory disability assistance.

6.1 Coverage and Adequacy of Disability Benefits in Greece

Prevalence of disability in Greece is lower compared to EU member states: The proportion of self-reported disability among the working age population in Greece is 9.9 percent, which is lower than the average of 13 percent for EU member states (see Figure 36). The level of poverty and social exclusion of people with disabilities in Greece is 54 percent compared with an EU average of 37 percent.[72]

Figure 36: Prevalence of People with Disabilities among Those Aged 15-64 (percentage, 2012)



Source: Eurostat 2014

Coverage of disability benefits appears to be lower than the prevalence rate: According to administrative data from December 2015, about 171,000 individuals, representing 1.6 percent of the total population (and 2.4 percent of the working age population) receive non-contributory disability assistance benefits and about 351,000 individuals representing about 3.2 of the total population (and 5 percent of the working age population) receive disability pension benefits. As such, the number of persons receiving disability pension and/or disability assistance benefits is lower than self-reported prevalence of disability.

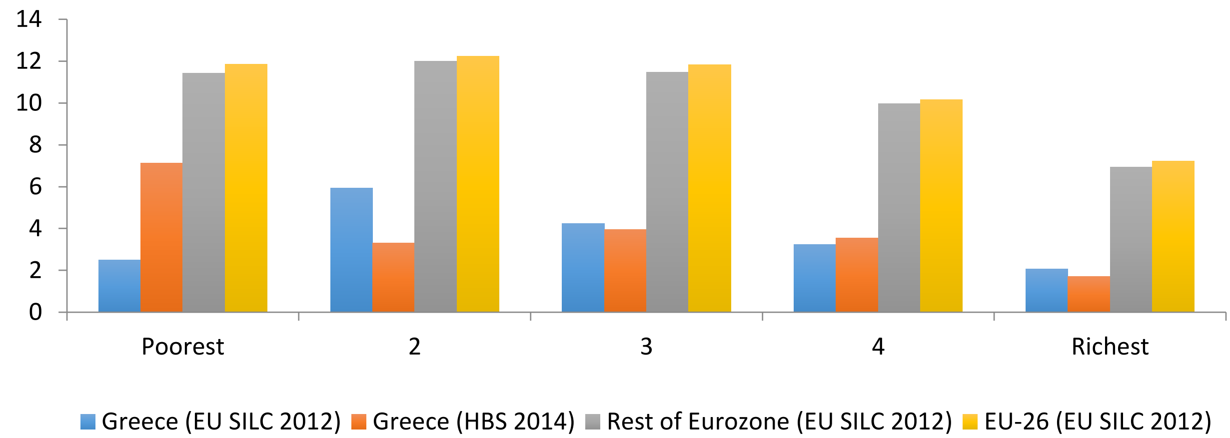
There is significant under sampling of disability benefits in the survey data in Greece: In Greece, according to the Household Budget Survey, only 1.3 percent of the population received any disability benefit. This is significantly lower than what is obtained from administrative data. While there may be some small overlap between the two groups, it is fair to conclude that there is likely significant under sampling of disability beneficiaries in the survey data. Such significant underestimation implies that there is a lot of uncertainty in the micro-analysis presented in this section.

Coverage of disability benefits is lower in comparison to the rest of the EU: When one considers survey data, and looks at both direct and indirect beneficiaries[73] about 3.9 percent of the population live in

[72] EU SILC survey, 2013.
[73] Indirect beneficiaries are those who live in the same household as the direct beneficiary of a transfer, and hence may be able to share in the consumption from the transfer.

households where a member gets a disability benefit in Greece – this contrasts with an average of slightly over 10 percent in the rest of Eurozone countries and in the rest of the EU (see Figure 37)[74]. Note that, due to data restrictions, it is not possible to distinguish between contributory and non-contributory disability benefits for other EU member states, so the benchmarking based on survey data in this section refers to all disability benefits, both contributory and non-contributory.

Figure 37: Coverage of disability benefits is lower in Greece compared to the EU

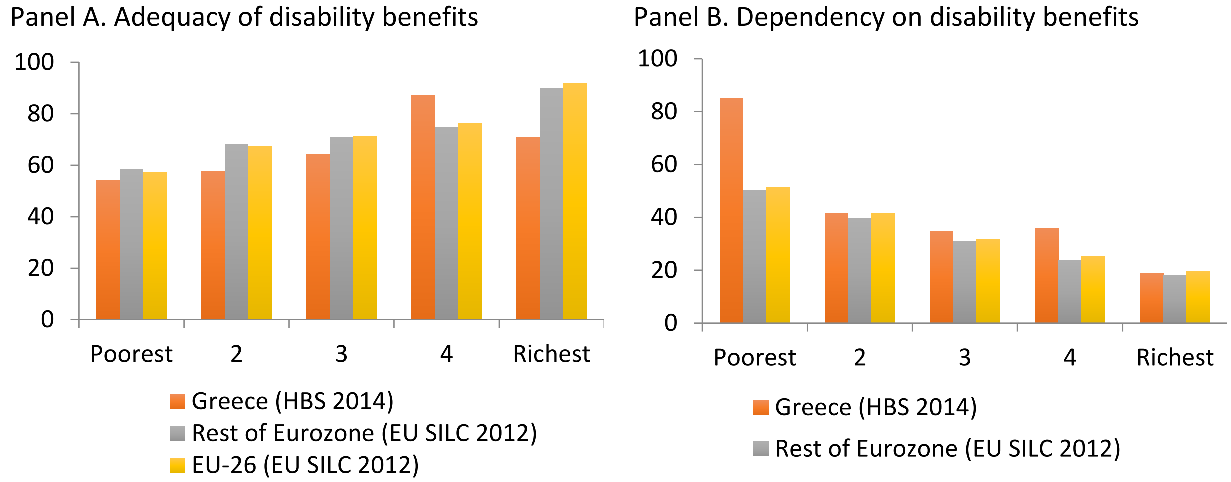


Source: EU-SILC 2013 (covering income year 2012) for all other countries, and HBS 2014 for Greece.

Adequacy of disability benefits in Greece are comparable to the rest of the EU; the dependency rate is much higher in Greece for the poorest quintile. Disability benefits amount to a little over half the statutory minimum wage for beneficiary households in the poorest two quintiles. This increases slightly for beneficiary households in the top 40 percent. Some of this variation may be due to small sample size based errors as these estimates are developed based on survey data. Except for beneficiary households in the poorest quintile, where 80 percent of household income is made up by the disability benefit, dependency rates in Greece are comparable to other countries in the EU (see Figure 38).

[74] The under-sampling of disability benefits in the survey partially explains low coverage, particularly in comparison with other EU countries.

Figure 38. Adequacy of disability benefits is slightly lower than comparator countries; beneficiary households in the poorest quintile depend very much on this transfer.



Source: EU-SILC 2013 (covering income year 2012) for all other countries, and HBS 2014 for Greece.

6.2 Expenditure on Disability Benefits

Expenditure on disability benefits are slightly below EU average, but there are variations in the structure of contributory and non-contributory benefits. Total cash expenditures on disability insurance benefits in Greece are about 1.9 billion Euros (about 1.09 percent of GDP) in 2015. This is below the average expenditure of some 1.2 percent of GDP on disability pensions in the EU-27 (see Table 19). Total expenditures on cash non-contributory disability assistance benefits *going to uninsured persons* amounts to about 725 million Euros (or roughly 0.4 percent of GDP in 2015). This is above the EU-27 average of some 0.28 percent. Greece also, by design, has programs to top up disability pensions for a small set of insured beneficiaries but are funded from general revenue– the supplementary invalidity pension for those with absolute disability and for blind old-age pensioners, and the extra institutional benefits – adding up to some 0.17 percent of GDP. Greece's share of expenditures on disability social care and services is very low, around 0.01 percent of GDP. This contrasts starkly with the average spending for the EU-27, which was around 0.47 percent of GDP in 2014. In total, Greece spends less than the EU average of disability, suggesting that there may be limited scope for fiscal savings either in overall disability pensions or in non-contributory disability benefits going to the uninsured.

Table 19. Greece spends slightly below EU-average on disability benefits

			Expenditure (% of GDP)	
			Greece (2015)	EU-27
Disability pensions			1.09	1.20
Disability assistance (non-contributory)	Cash	For the uninsured	0.41	0.28
		For the insured	0.17	
	In-kind expenditures		0.01	0.47
Other disability benefit expenditures			0.04	
Total			1.72	1.95

Notes: Greece estimates are for 2015 and are obtained from administrative data from the GAO. EU-27 average is obtained from ESSPROSS data (latest year of availability used)

While Greece's system of disability benefits is not generous on aggregate, the benefit structure can lead to inequitable outcomes between the insured and the uninsured. For example, Greece's disability system allocates about 294 million Euros (or roughly 0.17 percent of GDP) to non-contributory disability benefits that are targeted to a small proportion of the insured population who qualify for these benefits. In practice, this means that an insured person with a disability of over 80 percent may be eligible for a pension, may claim a non-contributory pension supplement that raises the pension by 50 percent, and may claim a non-contributory extra-institutional benefit for care needs from the relevant social security fund. On top of all this, he or she may also apply to the municipalities for support from the non-contributory benefit system. In short, there is an inherent inequity stemming from the fact that some of the insured can obtain additional cash benefits that do not require any contributions but are tied to their contribution histories.

Inequities in Greece's disability system are a result of both its complexities and inefficiencies in design and administration. In effect, there are two separate ways to receive non-contributory benefits - those administered by social security funds and those administered by municipalities. Both are publicly funded, but they apply different eligibility conditions and have different payment structures. While the non-contributory benefits provided by SSFs are linked to the size of the recipients' disability pensions, the benefit provided by municipalities is a flat payment unrelated to earnings. Moreover, no single entity in Greece coordinates the assessment of care needs and the provision of cash and in-kind disability benefits.

6.1 Fundamental reform of the disability system are necessary

Fundamental reform of the design, administration and disability assessment system is required to ensure that benefits are targeted to the truly disabled: Greece faces a complex agenda of simplification of the disability benefit structure and administrative consolidation between different programs and entry points into the system. Moreover, one of the main reasons for the fragmentation of disability benefits in Greece is that the approach taken to evaluating disability and determining benefits is based on medical impairment. Instead of a disability assessment that aims to determine the capacity of the individual, the barriers that he or she faces, and the type of support needed, in Greece an individual's eligibility for benefits, services, and protection is based entirely on medical criteria and is determined by a medical committee. While some progress has been made by consolidating the medical evaluation into a single agency, much remains to be done in terms of establishing an integrated form of assessment that includes an assessment of the person's need for care and compensation. One of the most worrying aspects of the absence of matching benefits with need is that currently the benefits being provided may not be adequate for the needs of people with disabilities or may not be reaching those who are most in need.

A forthcoming report will develop an assessment of the disability benefit system and will focus on improving the identification of the truly disabled and improving the quality of service delivery by increasing administrative efficiencies. In this report, our recommendation is limited to rationalization/reformulation of the 3 disability benefits that go to the insured population and are financed from the state budget; and rationalization of some vacation and holiday benefits accruing to disabled pensioners that have been abolished for other pensioners.

Annex 1: Detailed information about the benefits identified for rationalization/consolidation

KAE code	Name in English	Legislation	Total expenditure 2014	Total expenditure 2015	Total expenditure 2016 (budgeted)	Number of beneficiaries, 2013,	Number of beneficiaries, 2014	Number of beneficiaries 2015	C - contributory, NC - non-contributory	Functi on (Level 2)	In-kind or Cash	Means-tested or non-means-tested	prop osal	commen ts
	Family and Child Benefits													
2731	2731 - unified child benefit	Law 4141/2013, Law 4093/2012, FEK 163 A’ 2013, FEK 163 A’ 2013, FEK 222 A’ 2012, FEK 88 A’ 2013 Φ.33-220, KAE 2731 (transferred to OGA)	456,604,099	447,102,234	450,000,000	711,210	757,902	758,689	NC	Family & child	cash	1	cons olidat e	see section 4 of paper
2731	2731- Family: Special benefit for three child families and large families - KAE 2731	Law 4141/2013, Law 4093/2012, FEK 163 A’ 2013, FEK 163 A’ 2013, FEK 222 A’ 2012, FEK 88 A’ 2013 Φ.33-220, KAE 2731 (transferred to OGA)	205,366,165	198,201,082	210,000,000	122,375	121,572	119,037	NC	Family & child	cash	Means-tested	cons olidat e	see section 4 of paper

KAE code	Name in English	Legislation	Total expenditure 2014	Total expenditure 2015	Total expenditure 2016 (budgeted)	Number of beneficiaries, 2013,	Number of beneficiaries, 2014	Number of beneficiaries 2015	C - contributory, NC - non-contributory	Function (Level 2)	In-kind or Cash	Means-tested or non-means-tested	proposal	comments
	Special maternity protection benefit	L. 3655/2008 (art. 142), MD. 33891/1606/2008, L. 3996/2011 (art. 36)	MoL (finance div.): 66,305,884.48; OAED: 51,640,505.93	71,358,262	59,000,000	25,769	24,731	18,219	C	Family & Child	cash	Non-means tested	reformulate	
2754	Income allowance for families with children that study away from their permanent residence / student housing benefit	Law 3220/2004 (art.10)	48,700,000	36,144,000	47,693,000	46,556	48,700	36,144	NC	Family & child	Cash	Means-tested	rationalize	
632	Family benefits and wedding allowances	L. 4093/2012, L. 4024/2011, L. 3205/2003, L. 2673/2013, L. 1106/1980 (OAED:L. 3868/58 (FEK A 178), L. 4254/14 (abolition for the benefit and the 1% contribution to IKA SSF)	83,771,236 (of which ELOEN: 8,070,678; MTS: 20,347,532; MTN: 9,640,393; OAED: 45,126,353; rest: 586,280)	38,147,830.66 (of which ELOEN: 7,948,315; MTS: 14,736,038; MTN: 9,392,125; OAED: 5,648,859; rest: 422,494)	22,496,565 (8-month executed budget) (of whichL ELOEN: 7,165,875; MTS: 9,547,690; MTN: 5,599,661; OAED: 5,480; rest: 177,859)]	307,511	280,933	50,032	C	Family & Child	Cash	TBC	rationalize	OAED family allowances have already been abolished

KAE code	Name in English	Legislation	Total expenditure 2014	Total expenditure 2015	Total expenditure 2016 (budgeted)	Number of beneficiaries, 2013,	Number of beneficiaries, 2014	Number of beneficiaries 2015	C - contributory, NC - non-contributory	Function (Level 2)	In-kind or Cash	Means-tested or non-means-tested	proposal	comments
6741.12	Unprotected children	From MoL: L.4051/1960 (FEK 68/A'/1960), P.D. 108/1983 (FEK 49/A'), CMD 36343/1982 (FEK 339/B'), P.D. 286/1988 (FEK 132/A', P.D 147/1989 (FEK 70/A'), P.D. 148/1997 (FEK 127/A') art.2 From Secretariat: FEK 68 A’ 1960, FEK 49 A’ 1983, FEK 127 A’ 1997	6,130,933	5,268,815.54 (from Q&R data)	NA	NA	NA	13,314 (from Q&R data)	NC	Family & child	Cash	Means-tested	rationalize	merge into SSI/GMI
2738	Transportation cards for large families (KTEL buses)	L. 2072/1992 (FEK 125,A), KYA Π2γ/οικ.78327/22.07.2005 (FEK 1079,B); L3829/1958/art 18, MD 156423/24-12-1969 (FEK B 858)	11,906,152	5,143,988	4,261,139	NA	NA	1,266,000	NC	Family & child	In-kind	Non-means tested	reformulate	we recommend an examination of all transportation subsidies as part of the expenditure reviews
549	Other education expenditures (student housing and food allowance	L709/77 art 7, L2436/96 art 26, JMD 40091/2007	2,520,528	3,400,000	3,100,000	NA	NA	NA	TBD	Education benefits and services	Cash	Non-means tested	Reformulate	

KAE code	Name in English	Legislation	Total expenditure 2014	Total expenditure 2015	Total expenditure 2016 (budgeted)	Number of beneficiaries, 2013,	Number of beneficiaries, 2014	Number of beneficiaries 2015	C - contributory, NC - non-contributory	Function (Level 2)	In-kind or Cash	Means-tested or non-means-tested	proposal	comments
	for technical schools)													
2752	Income support to low-income families and children that study in compulsory education (article 27 L.3016/2002)	Law 3016/2002 (art.27, par.3)	1,738,800	1,503,700	1,750,000	4,286	5,796	5,012	NC	Family & child	Cash	Means-tested	Reformulate	
	Disability													
n/a	Extra institutional handicap benefit	L.1140/81, L.3232/2004, L.3518/2006	173,573,364	185,501,457	NA	16,783	18,891	20,230	C	Disability benefits and services	Cash	Non-means-tested	reformulate	
n/a	Supplementary invalidity pensions due to total disability	L.1140/81, L.3518/2006	97,938,306	98,967,711		19,497	19,863	20,730	NC	Disability benefits and services	Cash	Non-means-tested	rationalize / reformulate	
n/a	Supplementary pension for blind and other disability benefits provided by SSFs	Article 42 paragraph 3 of Law 1140/81, as amended by Article 60 of Law 3518/2006	9,696,630	9,679,032		2,643	2,204	2,200	TBD	Disability benefits and services	Cash	Non-means-tested	rationalize / reformulate	
	Housing and healting allowances													

KAE code	Name in English	Legislation	Total expenditure 2014	Total expenditure 2015	Total expenditure 2016 (budgeted)	Number of beneficiaries, 2013,	Number of beneficiaries, 2014	Number of beneficiaries 2015	C - contributory, NC - non-contributory	Function (Level 2)	In-kind or Cash	Means-tested or non-means-tested	proposal	comments
2732	Heating allowance	L. 3986/2011 (article.36, para.8β), amended by L. 1262/2015 (FEK 2677 B, December 11, 2015), L.4336/2015 (FEK A 94)	206,487,543	**185,956,638**	**105,000,000**	NA	NA	NA	NC	Housing	Cash	1	rationalize	
	Unemployment													
n/a	Long term unemployment benefit	n/a	47,517,002	22,880,113	NA	42,351	36,490	21,350	NC	Unemployment	Cash		rationalize	
2522	OAED Funding for Union Organizations	L. 4144/2013 (FEK A 88 art. 34); JMD 24459/220/26-08-2013 (FEK B 2082); Three MDs of 2012 reduced the expenditure by 10%: MD 415/7/10-01-2012, MD 1390/50/24-1-2012 and MD 764/16/13-1/2012	12,800,000	12,271,782	15,000,000	180	180	180	C	Other social insurance	In-kind	TBC	rationalize	

KAE code	Name in English	Legislation	Total expenditure 2014	Total expenditure 2015	Total expenditure 2016 (budgeted)	Number of beneficiaries, 2013,	Number of beneficiaries, 2014	Number of beneficiaries 2015	C - contributory, NC - non-contributory	Function (Level 2)	In-kind or Cash	Means-tested or non-means-tested	proposal	comments
n/a	BENEFITS TO THOSE ENTERING THE LABOUR MARKET	n/a	1,450,439	1,311,358	2,000,000	4,800	5,681	5,500	NC	Unemployment	Cash		rationalize	
	Holiday Benefits													
652	Holiday benefits to unemployed	L. 1836/89, L. 2081/92, L.. 2224/94, L. 2434/96, L. 2556/97, MD 30659/31-3-89, MD 30962/27-4-89, MD 31353/7-6-89, MD 32021/6-10-89, MD 33142/19-02-98, MD237/B/98, ΔΙΑΔ, ΦΕΚ 927Β) K.Y.A 6564, JMD 2, From Mrs. Triantafyllou: OAED: L. 2020/92 (FEK A 34), L.3986/11 ETAP-MME: R.D. 29/5-25/6/1958 (A,96) art. 72	65,477,039 (of which OAED: 63,526,888; ETAP MME: 907,851; House of Maritime Emloyees Oikos Naftou: 1,042,300)	64,273,799 (of which OAED: 62,870,319; ETAP-MME: 468,880; House of Maritime Employees Oikos Naftou: 934,600)	24,664,774 (8-month execution) (of which OAED 24,148,687; ETAP-MME: 221,253; Oikos Naftou: 294,833)	60,470	45,664	42,924	C	Unemployment	In-kind (TBD)	Non-means tested	rationalize	

KAE code	Name in English	Legislation	Total expenditure 2014	Total expenditure 2015	Total expenditure 2016 (budgeted)	Number of beneficiaries, 2013,	Number of beneficiaries, 2014	Number of beneficiaries 2015	C - contributory, NC - non-contributory	Function (Level 2)	In-kind or Cash	Means-tested or non-means-tested	proposal	comments
		par. 5-6, amended art.48 par.6 L.3996/2011 (FEK A 152)												
636	Holiday benefits (for private sector pensioners)	L. 4093/2012, PNP 229/2012, L. 3896/2010, L. 4093/2012, PNP 229/2012, L. 3896/2010, ETAP-MME : L.452/1976,YA B2/55/1919/1977 /ΦΕΚ Β 1223, ΚΥΑ Φ.10055/οικ. 20093/1448/2014/ ΦΕΚ 3630/Β, YA50600/4099/2014/ΦΕΚ3630/Β ETAP-MME : L.452/1976,YA B2/55/1919/1	48,532,741 (of which IKA: 44,398,359; OAEE: 1,223,356; ETAP-MME: 2,911,026)	39,260,372 (of which IKA: 37,749,191; OAEE: 394,066; ETAP-MME: 1,117,116)	27,035,967 (8-month executed budget) (of which IKA: 26,564,167; OAEE 61,628; ETAP-MME: 410,171)	42,952	27,713	14,059	C	Disability benefits and services	Cash	Non-means tested	rationalize	

KAE code	Name in English	Legislation	Total expenditure 2014	Total expenditure 2015	Total expenditure 2016 (budgeted)	Number of beneficiaries, 2013,	Number of beneficiaries, 2014	Number of beneficiaries 2015	C - contributory, NC - non-contributory	Function (Level 2)	In-kind or Cash	Means-tested or non-means-tested	proposal	comments
		977 /ΦΕΚ Β 1223, ΚΥΑ Φ.10055/οικ. 20093/1448/ 2014/ ΦΕΚ 3630/Β, ΥΑ50600/409 9/2014/ΦΕΚ3 630/Β OAEE: P.D. 258/ 2005 art. 26 IKA-ETAM: L.2084/1992 art. 65 The laws in blue on allowances for Christmas and Easter have been eliminated with L.4093/12 art 1 par IA subpar. IA6.												
637	Vacation benefits for disabled pensioners	L. 4093/2012 (FEK A 222), PNP 229/2012, L. 3896/2010, OAED: L. 1346/83, KYA 2067005/700 3/0022/19-10-94 ETAP-MME : L.3518 /2006 art. 40 OAEE: P.D. 258 /2005 art.26 IKA-ETAM: L.4476 /1965	16,454,513 (of which IKA: 14,766,142; OAEE: 332,902; ETAP-MME: 665,012; OAED 690,457)	18,630,090 (of which IKA: 17,793,269; OAEE: 94,565; ETAP-MME: 7,971; OAED: 734,285)	13,733,208 (8-month executed budget) (of which IKA 12,971,688; OAEE: 17,288; ETAP-MME: 392,374; OAED: 391,857)	42,952	27,713	14,059	C	Disability benefits and services	Cash	Non-means tested	rationalize	

KAE code	Name in English	Legislation	Total expenditure 2014	Total expenditure 2015	Total expenditure 2016 (budgeted)	Number of beneficiaries, 2013,	Number of beneficiaries, 2014	Number of beneficiaries 2015	C - contributory, NC - non-contributory	Function (Level 2)	In-kind or Cash	Means-tested or non-means-tested	proposal	comments
		art. 28 The laws in blue on allowances for Christmas and Easter have been eliminated with L.4093/12 art 1 par IA subpar. IA6. There are some exemptions with L. 4111/2013 (FEK A 18) for certain disabled.												
KAE 2639 & KAE 4419	a) OAED Social Tourism	L. 4144/2013 OAED, JMD 30716/1284 (FEK B 1836)	533,000	3,029,872	10,400,000	NA	23,211	59,584	C	Other social insurance	In-kind	Non-means tested	rationalize	
2641.02	Tourism programs (social tourism vouchers for six-day holidays)	PD 343/2001, art.7, par.b	1,525,000	NA	550,000	76.200 coupons (for period 3/8/2012-31/5/2013) 4.950.000€ + 38.700 coupons (for period	23,400	NA	C	Other social insurance	In-kind	TBC	rationalize	

KAE code	Name in English	Legislation	Total expenditure 2014	Total expenditure 2015	Total expenditure 2016 (budgeted)	Number of beneficiaries, 2013,	Number of beneficiaries, 2014	Number of beneficiaries 2015	C - contributory, NC - non-contributory	Function (Level 2)	In-kind or Cash	Means-tested or non-means-tested	proposal	comments
						19/7/2013-31/12/2013) 2.520.000€								
2641.02	Tourism programs for Old age (social tourism vouchers for six-day holidays) "Tourism for all -3rd Age"	PD 343/2001, art.7, par.b	475,000	NA	NA	5.000 coupons (for period 1/10/12-31/5/2013) 550.000€ + 5.000 coupons (for period 1/10/2013-31/12/2013) 480.000€ (note each beneficiary is entitled to 6 coupons)	5,000	NA	C	Old-age benefits and services	In-kind	TBC	rationalize	
	Summer Camps													

KAE code	Name in English	Legislation	Total expenditure 2014	Total expenditure 2015	Total expenditure 2016 (budgeted)	Number of beneficiaries, 2013,	Number of beneficiaries, 2014	Number of beneficiaries 2015	C - contributory, NC - non-contributory	Function (Level 2)	In-kind or Cash	Means-tested or non-means-tested	proposal	comments
e) OAED-KAE 2639 & KAE 4419	SSF/OAED summer camps (Program for children attending summer camps, Vacation subsidy for Employees, Unemployed persons and their families)	L. 4144/2013 OAED	MoL Finance division - EUR 5,086,975; EUR 3,400,000 based on OAED	MoL Finance division: 2,200,000 euros discrepancy compared to other MoL estimate: 17,500,000	28,000,000	NA	10,628	27,754	C	Other social insurance	In-kind	Means-tested	rationalize	
KAE 2343/ 2292	KAE 2343-2292 State Camp Programme for children	Law 749/1948 (FEK 200,A), Law 2646/1998, art.19,par.6 (FEK 236,A), Law 3106/2003, art.14 (FEK 30,A), Law 3852/2010 (FEK 87,A)	2,971,978	2,700,000		8,420	8,420		NC	Family & child	In-kind	Means-tested	rationalize	
2559	Camp program for disabled	Law 3329/2005, art.17 (FEK	750,000	3,325,550		2,920			NC	Disability benefi	In-kind	Non means-tested	rationalize	

KAE code	Name in English	Legislation	Total expenditure 2014	Total expenditure 2015	Total expenditure 2016 (budgeted)	Number of beneficiaries, 2013,	Number of beneficiaries, 2014	Number of beneficiaries 2015	C - contributory, NC - non-contributory	Function (Level 2)	In-kind or Cash	Means-tested or non-means-tested	proposal	comments
		81,A), L. 4368/2016 (FEK 21,A), CMD Δ23/οικ.25930/2011 (FEK 1652,B)								ts and services				
	Regional/Municipal benefits													
821	0821 - Student transportation	JMD 24001/2013-FEK 1449 B/14-6-2013	160,780,708	138,659,830	NA	NA	NA	NA	Level 1 TBD	Education benefits and services	In-kind	Non-means-tested	reformulate	
2739 and 6741.15	2739 - Vulnerable groups: A6.5 Other general aids and social policy benefits KAE 2739 and 6741.15 Emergency financial support to poor citizens / Unprotected children	MoL laws: L. 57/1973 (FEK 149,A), JMD: Π2/οικ.2673/FEK 1185/B/2001) - Secretariat laws: F.33-220, KAE 2739 (transferred to KAE of Ministry of the Interior) FEK 149 A' 1973, FEK 452 B' 2009	12,041,108	2,780,469	2,269,197			508 (from Q&R data)	NC	Other social assistance	Cash	Non-means-tested	reformulate	
6741.13	Financial assistance to homogeneous and repatriated Greeks	From MoL: L. 57/1973 (FEK 149,A), JMD: Π2/οικ.2673/FEK 1185/B/2001), from Secretariat: FEK 242 B'	2,091,953 ; alternate estimate from MoL 2,386,072.21	2,960,104.55 (from Q&R data)	NA	NA	5,963; alternate estimate from MoL 5,345	8,165 (from Q&R data)	NC	Other social assistance	Cash	Non-means-tested	rationalize / reformulate	

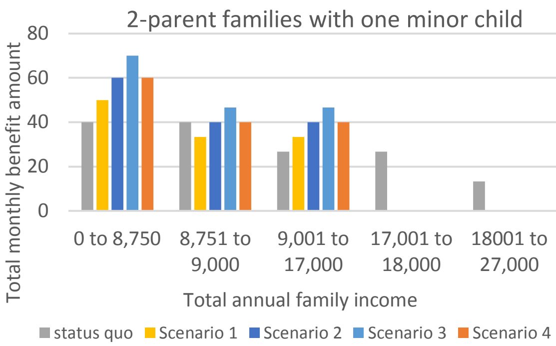
KAE code	Name in English	Legislation	Total expenditure 2014	Total expenditure 2015	Total expenditure 2016 (budgeted)	Number of beneficiaries, 2013,	Number of beneficiaries, 2014	Number of beneficiaries 2015	C - contributory, NC - non-contributory	Function (Level 2)	In-kind or Cash	Means-tested or non-means-tested	proposal	comments
		1988, FEK 148 B' 1994, FEK 868 B' 1995												
2751	Income support for households in mountainous and disadvantaged areas with low incomes (article 27 L.3016/2002)	(article 27 L.3016/2002)	1,825,249	NA	NA	NA	NA	NA	NC	Other social assistance	Cash	Means-tested	rationalize and merge into GMI	
12501	12501 Benefit for booklets to uninsured persons	NA	NA	NA	NA	NA	NA	NA	NC	Health benefits and services	In-kind	Means-tested	rationalize	the new health care for uninsured supersedes this benefit
	To be examined further													

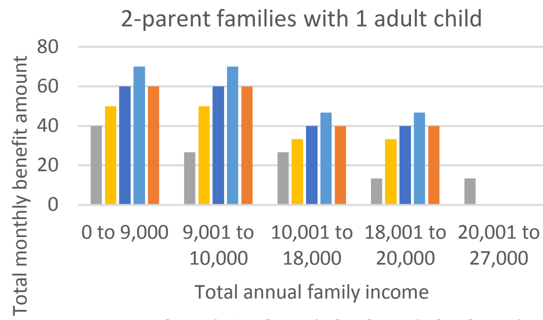
KAE code	Name in English	Legislation	Total expenditure 2014	Total expenditure 2015	Total expenditure 2016 (budgeted)	Number of beneficiaries, 2013,	Number of beneficiaries, 2014	Number of beneficiaries 2015	C - contributory, NC - non-contributory	Function (Level 2)	In-kind or Cash	Means-tested or non-means-tested	proposal	comments
2733	Transport Allowance for Disabled	Law 2072/1992 (FEK 125, A), CMD Π2γ/οικ.7832 7/22.07.2005 (FEK 1079, B) (Ministerial Decree No. G4a/F15/849/ 1988 (Gov. Gaz. 168/B'), Article 5, paragraph 78 of Law 1882/1990 (Gov. Gaz. 43/A'), Article 4, paragraph 5 of Law 2345/1995 (Gov. Gaz. 213/A').							NC	Disability benefits and services	In-kind	Means-tested (some times)		to be examined further
6718	Other compulsory payments for income transfers to third parties		15,440,387	12,100,700	12,541,107	NA	NA	NA	TBD	Level 2 TBD	TBD	TBC		to be examined further
6733	Cash transfers to poor residents of the municipality	Law 3463/2006 (FEK A 114), article 202, paragraph 2	2,813,524	2,703,175	822,252				NC	Other social assistance	Cash	1		to be examined further
6734	Poverty benefit for municipalities	Law 3463/2006 (FEK A 114), article 202, paragraph 2; L.1545/1985	3,928,356.49	NA	1,510,888	NA	NA	NA	NC	Other social assistance	Cash	Means-tested		to be examined further

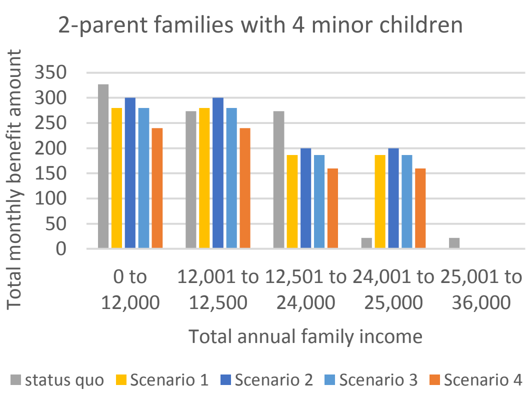
KAE code	Name in English	Legislation	Total expenditure 2014	Total expenditure 2015	Total expenditure 2016 (budgeted)	Number of beneficiaries, 2013,	Number of beneficiaries, 2014	Number of beneficiaries 2015	C - contributory, NC - non-contributory	Function (Level 2)	In-kind or Cash	Means-tested or non-means-tested	proposal	comments
		art. 2 (FEK A 91)												

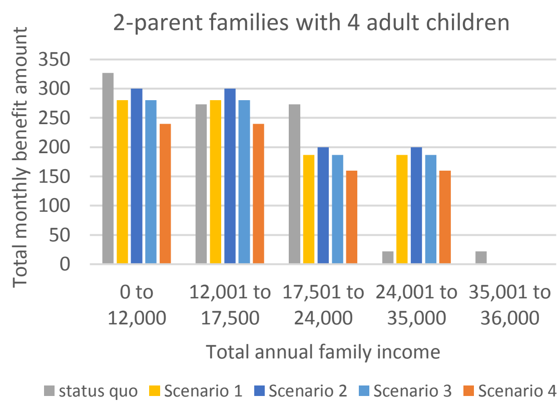
Source: Administrative data shared by MoLSISS and GAO

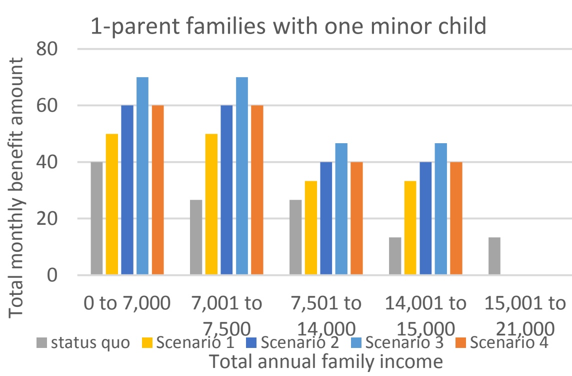
Annex 2: Family benefit scenarios

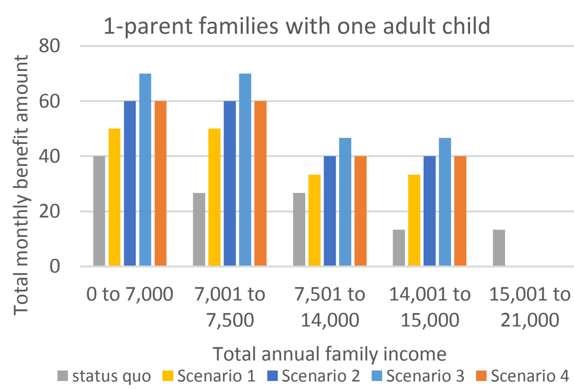


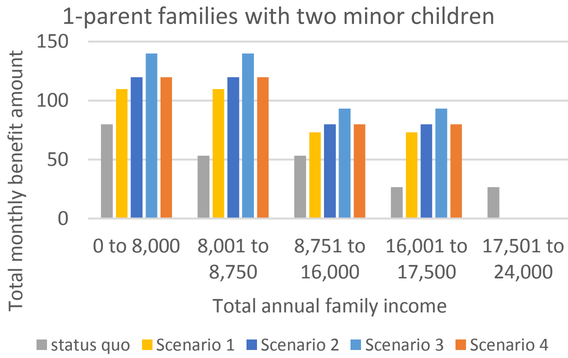


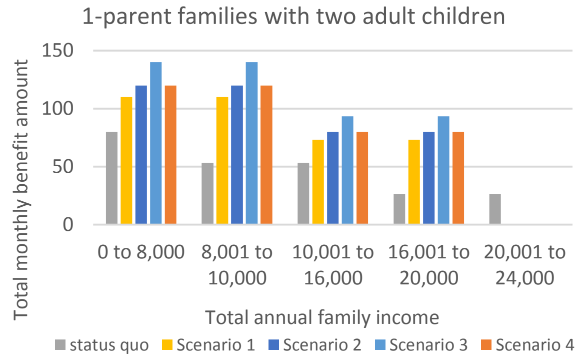


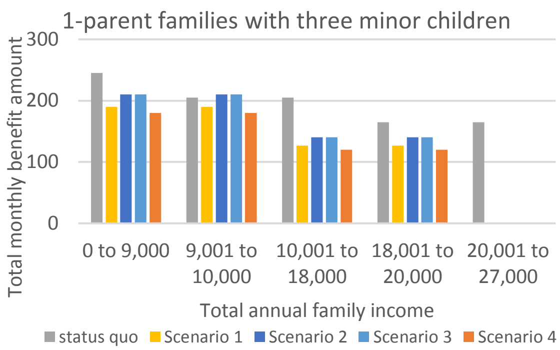


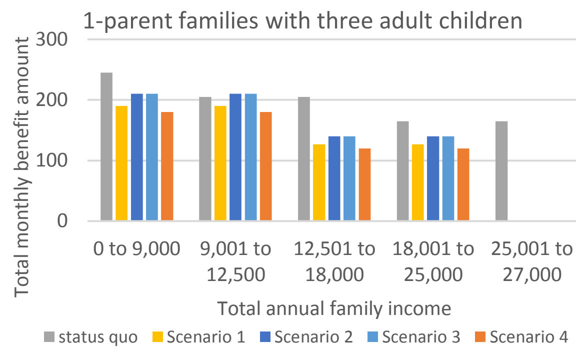


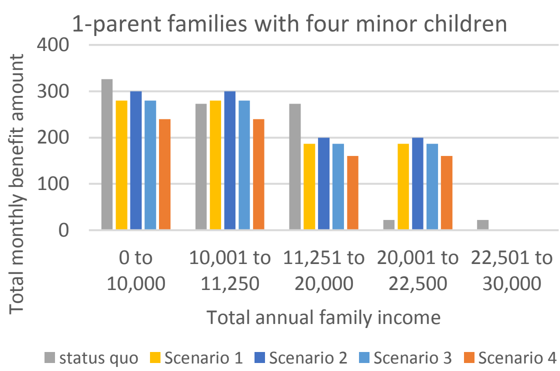


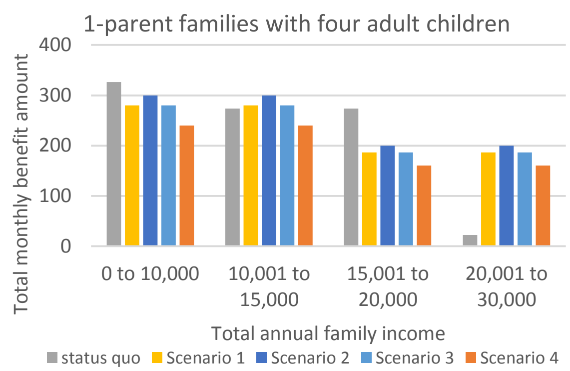












Source: Elaborated by World Bank staff.
Note: Additional losses of EUR 125 per month would occur for one-parent families with three children of any age and total annual family incomes between EUR 27,001 and EUR 45,000. One-parent families with four children of any age and total annual family incomes between EUR 27,001 and EUR 48,000 would lose EUR 166.67 per month.

Annex 3: Simulation methodology

Unified child support benefit

The program started at the end of 2013, which is in the middle of the survey reference period, so the HBS survey only covers part of this new benefit. The Unified child support benefit was assigned to families according to eligibility rules described in Law 4093 of 2012. According to this law, families with equivalized taxable income up to EUR 6,000 receive the full allowance, families with income between EUR 6,000 and EUR 12,000 receive 2/3 of the allowance, and families with income between EUR 12,000 and EUR 18,000 receive 1/3 of the allowance. The full allowance is EUR 40 per month per child. Taxable income is equivalized by dividing the total family income by the weighted sum of the family members, where the first adult receives a weight of 1, any additional adults a weight of 1/3, and dependent children a weight of 1/6. Dependent children are defined as unmarried children living with at least one parent who are at most 18 years of age, or 19 years of age and attending secondary education, or between 19 and 24 years of age and attending higher education, or receiving disability benefits. Only families who have lived in Greece for the last 10 years are eligible for the program but this criterion is not applied since the residency information is not available in survey data. A take-up rate of 67 percent is assumed to match the number of beneficiaries in the survey with the number of beneficiaries reported in administrative data for the year 2014. In other words, 67 percent of the families that meet the eligibility criteria are randomly selected to receive the transfers.

Special benefit for families with three or more children (large family benefit)

The Special benefit for families with three or more children is also simulated according to eligibility rules in Law 4093 of 2012. Although this special benefit was already in place in 2013, HBS survey data do not fully capture the number of beneficiaries reflected in administrative data. This benefit is set at EUR 500 per year per child. For families with three children, they are eligible if their taxable income does not exceed EUR 45,000. This threshold is increased by EUR 3,000 for families with four children and by EUR 4,000 for each additional child for families with more than four children. The benefit has the same residency requirement as the Unified child benefit but this requirement is not applied due to lack of the information in the survey. In order to match administrative data, a take-up rate of 84 percent is randomly applied among all families who qualify for the benefit.

Annex 4: Tax free thresholds

For each of the countries included in **Figure 28** the source for the Tax free threshold is as follows:

Country	Allowance	Source	Link
Finland	16,500	OECD	http://stats.oecd.org/index.aspx?DataSetCode=TABLE_I1
Luxembourg	11,264	PWC	http://taxsummaries.pwc.com/uk/taxsummaries/wwts.nsf/ID/Luxembourg-Individual-Taxes-on-personal-income
Greece	9,545.45	Greek tax code	
Belgium	10,860	OECD	http://stats.oecd.org/index.aspx?DataSetCode=TABLE_I1
France	9,700	OECD	http://stats.oecd.org/index.aspx?DataSetCode=TABLE_I1
Czech Republic	165,600	OECD	http://stats.oecd.org/index.aspx?DataSetCode=TABLE_I2
Italy	8,145	OECD	http://stats.oecd.org/index.aspx?DataSetCode=TABLE_I3
Ireland	8,250	Eurostat	https://ec.europa.eu/taxation_customs/sites/taxation/files/docs/body/ie.pdf
Austria	11,000	PWC	http://taxsummaries.pwc.com/uk/taxsummaries/wwts.nsf/ID/Austria-Individual-Taxes-on-personal-income
Spain	5,500	OECD	http://stats.oecd.org/index.aspx?DataSetCode=TABLE_I3
Portugal	4,104	Eurostat	https://ec.europa.eu/taxation_customs/sites/taxation/files/docs/body/pt.pdf
Croatia	26,400	Eurostat	http://ec.europa.eu/taxation_customs/business/economic-analysis-taxation/taxation-trends-eu-union_en
Denmark	43,400	Eurostat	http://ec.europa.eu/taxation_customs/business/economic-analysis-taxation/taxation-trends-eu-union_en
Lithuania	6,840	Eurostat	http://ec.europa.eu/taxation_customs/business/economic-analysis-taxation/taxation-trends-eu-union_en
Netherlands	2,203	OECD	http://stats.oecd.org/index.aspx?DataSetCode=TABLE_I3
Latvia	900	OECD	http://stats.oecd.org/index.aspx?DataSetCode=TABLE_I3
Poland	3,091	OECD	http://stats.oecd.org/index.aspx?DataSetCode=TABLE_I3

Note: All monetary figures are in local currency

In order to obtain the share of households who do not pay any personal income tax, the 2013 EU-SILC[75] are used. In each country, gross labor income (wages, self-employment, and agriculture) for each

[75] EU statistics on income and living conditions

household are obtained and added to the gross pension income for the household. The threshold above is applied in order to determine which households would pay any income tax. This is an approximation as this does not account for the detail of each country's tax legislation. For example in Greece wage and pension income are taxed jointly, while agricultural income and self-employment income are taxed independently. Furthermore the tax credit in Greece, before 2016, was only applicable to wage and pension incomes. Consequently by assuming the threshold applies to the aggregation of wage, pension, self-employment and agricultural income, the measure of households who would not pay personal income tax may be overestimated. On the other hand, aggregating incomes at the household level could erroneously identify households that would be paying income tax and underestimate the share of households that pay. It is easy to imagine that the same issues noted for Greece would also apply to the other countries in the graph. Therefore, the results regarding the share of households not paying any personal income tax should be taken with caution.

Annex 5: Disability benefit rates and definitions

Financial Support Program	Categories of Beneficiaries	Amount	Conditions	Number of Beneficiaries (2014)	Legislation
Severe disability	Uninsured and indirectly insured persons with severe disability (integrated severe disability program with a disability rating of 67% or more)	**313 €**	a) Uninsured or indirectly insured persons who, due to severe bodily, mental or psychological disease or impairment have a disability rating of 67% or more b) Persons with terminal chronic renal failure who are uninsured or indirectly insured with a disability rating of 80% or more, regardless of the nutritional allowance. c) Persons with insulin-dependent type 1 diabetes who are uninsured or indirectly insured with a disability rating of 50% or more	**75,679**	**Γ4α/ Φ.225/ 16** (Off. Gaz. 108 B 19 **Π4γ/ Φ.225/οικ.28** (Off. Gaz. 629 B 19 **Δ29α/Φ32/ΓΠοικ.108** (Off. Gaz. 1189 B 20

Financial Support Program	Categories of Beneficiaries	Amount	Conditions	Number of Beneficiaries (2014)	Legislation
Severe mental disability	If they do not receive a benefit for the same reason directly or indirectly no financial aid of any kind from their insurance fund or any other body, Greek or foreign, or if they receive financial aid of any kind up to EUR 29.35 monthly or if they receive for the same reason from their insurance fund or other body, Greek or foreign, a financial aid of any kind exceeding EUR 29.35 and up to an amount equal to the minimum disability (basic) pension of the OGA, as reviewed from time to time	**527 €**	a) Persons with severe mental disability with a disability rating of 80% or more and an intelligence quotient less than 30 b) Persons with Down syndrome with carer severe mental disability and a disability rating of 80% or more c) Persons with pervasive developmental disorders (childhood autism, autism), with a disability rating of 80% or more	**15,896**	**Γ4/Φ.12/οικ. 193** (Off. Gaz. 724 B 19 **Γ4γ/ Φ.423/ οικ. 1** (Off. Gaz. 289 B 19 **Π4γ/Φ.423/ οικ. 2** (Off. Gaz. 467 B 19 **Π4γ/Φ.421/Φ.422/Φ.4 1/οικ.6286** (Off. Gaz. 997 B19 **Γ4γ / Φ.423/ οικ. 1** (Off. Gaz. 353 B 19 **Δ29α/Φ32/ΓΠοικ.108** (Off. Gaz. 965 B 20

Financial Support Program	Categories of Beneficiaries	Amount	Conditions	Number of Beneficiaries (2014)	Legislation
Quadriplegics - paraplegics - amputees	Uninsured or insured at the civil servants' fund quadriplegics - paraplegics - amputees	**771 €**	a) Quadriplegics – paraplegics with a disability rating of 67% or more b) Persons suffering from diseases that caused disability with the same rating – 67% or more – and of the same type – quadriplegia, paraplegia - by reason of irreversible damage to the spinal cord or roots or sinew or muscles (Law 2646/1998) * *The above categories include persons whose findings indicate tetraparesis - paraparesis* c) Amputees with a disability rating of 67% or more deriving from amputation	**4,474**	**115750/ 3006** (Off. Gaz. 572 B 198 UNINSURED QUADRIPLEGICS -PARAP **61384/1638** (Off. Gaz. 324 B 198 INSURED AT THE CIVIL SE FUND PARAPLEGICS QUADRIPLEGICS **Γ4α/ Φ. 29 /1499** (Off. Gaz. 366 B 1983) UN PARAPLEGICS - QUADRIP AMPUTEES **Π4α/ Φ. οικ. 4184** (Off. Gaz. 692 B 199 EMPLOYEES AT LEGAL EN PUBLIC LAW **Π3α/ Φ. 27/ Γ.Π. οικ. 1** (Off. Gaz. 1594 B 20 PARAPLEGICS - QUADRI UNINSURED AND INSURE CIVIL SERVANTS' FU **Law 2646/1998 Art. 22** (Off. Gaz 236 A) EXTENSION TO PATIENTS W SAME DISABILITY RAT **Law 3172/2003, Art. 21** (197 A) AMPUTEES OF TH SERVANTS' FUND

Financial Support Program	Categories of Beneficiaries	Amount	Conditions	Number of Beneficiaries (2014)	Legislation
Hematological disorders - AIDS	Thalassemia sufferers AIDS - Hemophilia	**362 €** **697 €**	a) Persons with thalassemia, hemoglobinopathy, sickle cell anemia - homozygous sickle cell anemia - microdrepanocytic anemia. The required disability rating for all above conditions is 67% or more. b) Persons with hemophilia A, hemophilia B, congenital hemorrhagic diseases. The required disability rating for all above conditions is 67% or more. c) Persons with Human Immunodeficiency Virus (AIDS) with a disability rating of 50% or more	**57,596**	**Γ4 / Φ. 167/ 207** (Off. Gaz. 640 B /19 **Γ4 / Φ. 167/236** (Off. Gaz. 50 B 198 **Π4γ/ Φ.222/Φ.225/οι** (Off. Gaz. 872 B 19 **Π3α/Φ.167/Γ.Π.οικ.** **(**Off. Gaz. 430 B 20 **Δ29α/Φ.32/Γ.Π.οικ.10** (Off. Gaz. 1271 B 20
Deafness - hearing loss		**362 €**	a) Persons with deafness - hearing loss with a disability rating of 67% or more, up to 18 years of age, and persons over 65 years of age. b) Persons with deafness - hearing loss with a disability rating of 67% or more, between 19 and 65 years of age, suffering at the same time in addition to deafness - hearing loss from another chronic bodily, mental or psychological disease or impairment.	**3,760**	**Δ3β/423** (Off. Gaz. 306 B 19 **ΚΥΑ υπ' αριθ. 5** (Off. Gaz. 291 B 19 **Γ4/ Φ.11-2/οικ. 1** (Off. Gaz. 724 B 19 **Γ4β/Φ.422/οικ.1** (Off. Gaz. 479 B 19

Financial Support Program	Categories of Beneficiaries	Amount	Conditions	Number of Beneficiaries (2014)	Legislation
			c) Persons with deafness - hearing loss with a disability rating of 67% or more, between 19 and 25 years of age, attending schools, technical or vocational schools of all degrees or OAED schools, technological educational institutes or universities or vocational training centers, etc.		**Γ4/Φ.422/οικ.11** (Off. Gaz. 228 B 19 **Δ29α/Φ.32/Γ.Π.οικ.10** (Off. Gaz. 965 B 20

Financial Support Program	Categories of Beneficiaries	Amount	Conditions	Number of Beneficiaries (2014)	Legislation
Blindness - visual impairment	- Workers - Pensioners - Working students - Graduate workers	**362 €**	People with certified visual impairment - sight impairment with a disability rating of 80% or more	**17,906**	**Γ4/534** (Off. Gaz. 159 B 19 **1480/1981** (Off. Gaz. 457 B 19 **Π4γ/Φ. 421/Φ.42** **423/Φ.221/οικ.6** (Off. Gaz. 997 B 19 **Δ29α/Φ32/ΓΠοικ.108** (Off. Gaz. 1189 B 2 **Law 4331 /2015 A** (Off. Gaz. 69 B
	- Unemployed uninsured - Unemployed directly insured - Indirectly insured - Non working students - Blind children not attending schools or not being hosted in boarding houses of the Center for Education and Rehabilitation for the Blind (*KEAT*) or "HELIOS" in Thessaloniki - Blind children attending schools or hosted in boarding houses of KEAT or HELIOS in Thessaloniki - Trainee lawyers - Scientists of university level who practice according to their bachelor degree - Lawyers demonstrably practicing law	**697 €**			
Cerebral palsy		**697 €**	People with cerebral palsy up to 18 years of age	**168**	**Γ4α/Φ.224/οικ.1** (Off. Gaz. 441 B 1

Financial Support Program	Categories of Beneficiaries	Amount	Conditions	Number of Beneficiaries (2014)	Legislation
Hansen's disease patients	- Hansen's disease patients receiving treatment at the Attica Hospital for Chronic Diseases - Dependent members of the family of the Hansen's disease patient (spouse, parents, unmarried sisters, minor siblings or those unable to work due to disability or disease and are financially maintained thereby) for as long as that patient is receiving treatment at the Attica Hospital for Chronic Diseases - Minor children of the Hansen's disease patient	**362 €**	Persons suffering from the Hansen's disease, provided they produce: (as per beneficiary category) - certificate of hospitalization or discharge, where appropriate, or a certified copy thereof from former Attica Hospital of Chronic Diseases (AHCD) or former Athens Hospital for Infectious Diseases (AHID) or former Social Rehabilitation Center for Hansen's Disease Patients (SRCHDP) - in case of inability to work because of the disease or disability, a medical opinion from AHCD or AHID or SRCHDP indicating that they cannot work by reason of disease or disability - certificate of hospitalization (for dependent members) or discharge (for minor children) or certified photocopies thereof from AHCD or AHID or SRCHDP. - notice of assessment from the tax office and insurance book indicating dependence on the Hansen's Disease patient	**277**	**Γ4γ/Φ.229/328** (Off. Gaz. 1859 B 1
	- Hansen's disease patients receiving treatment at home and being away from work because of their disease - Former Hansen's disease patients discharged from the Attica Hospital for Chronic Diseases or former Athens Hospital for Infectious Diseases or former Social Rehabilitation Center for Hansen' s Disease Patients, regardless of the time of their stay, or staying with their family	**697 €**			

Financial Support Program	Categories of Beneficiaries	Amount	Conditions	Number of Beneficiaries (2014)	Legislation
Mobility allowance		**165 €**	a) Persons with amputation of both lower limbs with a disability rating of 80% or more b) Persons with amputation of both upper limbs of 80% or more c) Persons with paralysis of both lower limbs of 80% or more	**11,129**	**Law 3627/2007 A** (Off. Gaz. 292 A **Law 3868/2010 Ar** (Off. Gaz. 129 A **Π3α/Φ. 15/Γ.Π. οικ.** (Off. Gaz. 1313 B 2
			Total beneficiaries:	**186,885**	

Annex 6: Terms of Reference for the Social Welfare Review Study

As specified in the Terms of Reference, the SWR would contribute to the ongoing reform of the social assistance system in Greece to assist the Greek Government make the system more streamlined, and more effective in alleviating poverty. In this context, the Greek Government has agreed in the third Memorandum of Understanding with the European Commission that the Review will be targeted to generate savings of ½ percent of GDP annually from cash and in-kind benefits, tax benefits, social security benefits and other welfare benefits across the general government which will serve as the basis for the redesign of a targeted welfare system, including the fiscally-neutral gradual national roll-out of the GMI.

The coverage and adequacy of social benefits in Greece represents outputs B1; this paper is complementary to outputs B2 (Gaps in Social Protection Coverage – which examines characteristics of those not receiving social assistance coverage) and B3 (Duplication/Fragmentation of benefits – which examined the characteristics of those receiving multiple benefits). Outputs B2 and B3 are due in end June 2016.

Indicative Outputs and Timeline

Social Welfare Review	**Q4 15**	**Q1 16**	**Q2 16**	**Q3 16**	**Q4 16**
A.1: Inventory of Benefits		✓			
A.2: Institutional Mapping				✓	
B.1: Coverage and Adequacy of Benefits		✓			
B.2: Gaps in Social Protection Coverage			✓		
B.3: Duplication/Fragmentation of Benefits			✓		
C.1: Study of Tax Benefits			✓		
C.2. Study of Disability Benefit System					✓
D.1: Proposals for consolidation of benefits					✓
D.2: Proposals for achieving administrative efficiency					✓
D.3: Preliminary policy recommendations (first report)	✓				
D.4: Preliminary policy recommendations (second report)		✓			
D.5: Comprehensive policy recommendations and action plan for reform					✓
E.1: Preliminary recommendations on proposal for the GMI Roll-Out action plan	✓				
E.2: Preliminary recommendations on error, fraud and control strategy overview	✓				
E.3: Preliminary recommendations on strategy overview for inclusion of vulnerable groups	✓				
E.4: Preliminary recommendations on critical design parameters and implementation arrangements of the national GMI program		✓			
E.5: Preliminary recommendations on the development of the IT platform for national roll-out		✓			

Annex 7: List of benefits by functions

This annex presents the list of benefits under each function outlined in Section 3 of this document.

Pensions

id	Pension name
1	0615 -Pensions due to Old-age
2	0629 - Other auxiliary/supplementary insurance pensions
3	0622 - Monthly dividends
4	0621 - Monthly regular aids
5	0617 - Pensions due to resignation
6	0631 - One time Aids for employees (also refferred to as lumpsum and welfare)
7	0618 -Pensions for beneficiaries due to death of insured or pensioners
8	0611 - Pensions due to disability
9	0612 - Pensions due to disability from a work accident
10	0613 -Pensions due to disability from a war accident
11	0614 - Pensions due to disability from tuberculosis
12	0611 - Pensions for political employees
13	0612 - Pensions for judiciary employees
14	0613 - Pensions for military and security forces e.g. police etc.
15	0614 -Pensions for victims of war 1940-1949
16	0615 - Pensions L .1543/85 (construction workers) & L.1863/89 (democratic army) in addition to those for unarmed population citizens
17	0616 - Pensions for victims of wars until 1923
18	0617 - Pensions for fighters of national resistance

id	Pension name
19	0618 - Pensions for prime ministers and members of parliament
20	0619 - Personal pensions awarded with special laws- honorary pensions
21	0621 - non ordinary benefit for pensions for para 1b article 181 L.4270/2014, para 3, art 86 L4307/2014
22	0622 - non ordinary benefit for pensions for court employees art 181 L.4270/2014
23	0623- non ordinary benefit for pensions for para 3 art 86 of L.4307/2014
24	0661 -Contribution to mayors and presidents of local communities
25	0662 - Pensions for municipality and community employees
26	0671 - Pensions for clergy and formerly insured by TAKE fund
27	0672 - Pensions for employees of railroad OSE
28	0691 - Pension contributions towards the European Union pension system (article.10 L.2592/98)

Other old age benefits and Services

id	Benefit name
1	2335 - Social Care Units for Old-age (Public entities)
2	2291 - Social Care Units for Old-age (Private entities)
3	3212-3213 - Home care for Old-age
4	2761 - Home care for Old-age
5	2569 - Camp programs - thermal cures
6	2641.02 - Tourism programs for Old-age (social tourism vouchers for six-day holidays)
7	0616 -Pensions for overage uninsured elderly
8	0639 Remaining welfare benefits
9	0691 - Pensioners' Social Solidarity Benefit (EKAS)

Family and Child Benefits (other)

id	Benefit name
1	2738 - Transportation cards for large families KAE2738
2	2752 - Income support to low-income families and children that study in compulsory education (article 27 L.3016/2002)
3	Financial assistance for foster care
4	Financial assistance for children-young people
5	2754 - Income allowance for families with children that study away from their permanent residence / student housing benefit
6	KAE 2292 State Camp Programme for children
7	2335 - Social Care Units for children (Public entities)
8	Supplementary pregnancy and postnatal benefit
9	Special maternity protection benefit
10	6741.12 Unprotected children
11	A4.7 Programme for maternity cash benefits:
12	0632 - Family benefits and wedding allowances

Disability Benefits

id	Benefit name
1	2733 - Transportation of people with special needs (disabilities)
2	2335 - Social Care Units for disabled (Public entities)
3	Center of Education and Rehabilitation for the Blind
4	National institution for the deaf
5	1729 - Hearing aids
6	2559 - Social Care Units for disabled (Private entities)
7	2713- Aids to kidney patients and those with heart or liver transplants
8	Supplementary invalidity pension due to total disability

id	Benefit name
9	Extra-institutional handicap benefit
10	Blindness benefit and other disability benefits
11	0636 - Holiday benefits (for public sector pensioners)
12	0637 - Vacation benefits for disabled pensioners
13	6741.01 Cash benefit to persons with severe disability
14	6741.02 BENEFIT FOR HEMATOLOGICAL DISEASES, HEMOLYTIC ANAEMIA, HEMORROPHILIA, AIDS
15	6741.03 Cash benefit to persons with brain paralysis
16	6741.04 Cash benefit to the severely mentally retarded
17	6741.05 TRANSPORTATION BENEFIT to persons with paraplegic-tetraplegic disability, handicapped persons
18	6741.07 Cash benefit to persons with paraplegic-tetraplegic disability (uninsured)
19	6741.08 Cash benefit to persons with paraplegic-tetraplegic disability (publicly insured)
20	6741.09 Cash benefit to the blind
21	6741.10 Cash benefit to the deaf
22	6741.11 Cash benefit to persons with Hansen disease
23	2559 - Camp programme for disabled

Unemployment Benefits

id	Benefit name
1	5212- New policies for employment
2	0651 - Unemployment benefits
3	0652 - Holiday benefits to unemployed
4	Long-term unemployment benefit
5	Special unemployment benefits (contributory)
6	Special assistance after end of unemployment benefit
7	Special assistance after a three-month period of unemployment

Social Assistance Not Elsewhere Classified (N.E.C.)
Means-tested Benefits

id	**Benefit name**
1	2751 - Income support for households in mountainous and disadvantages areas with low incomes (article 27 L.3016/2002)
2	2758 - Humanitarian crisis
3	2759 - other income support / Guaranteed Minimum Income
4	2762 - Expenditure for social dividend
5	6733 - Cash transfers to poor residents of the municipality
6	6741.15 Emergency financial support to poor citizens / Unprotected children
7	6734- Poverty benefit for municipalities

Social Assistance Not Elsewhere Classified (N.E.C.)
Non-means-tested Benefits

id	**Benefit name**
1	2336 - Subsidy for purposes of social awareness funding from the net income of the special lottery to public entities (KAE 2336) and to private entities (KAE 2556)
2	6. other groups (in-kind): 2339 Social sevices and goods for vulnerable goups (subsidies to public entities)
3	2739 - Vulnerable groups: A6.5 Other general aids and social policy benefits KAE 2739
4	2757 - Financial support to persons with damages from fire, earthquake and floods, etc.
5	2799 - Other general aids and reimbursements
6	9569 - Other reimbursements and financial support
7	9924 - Expenses for social protection
8	5216 - Expenditures of nutrition, maintenance and health care services for refugees
9	2337 - National Center for Social Solidariy (EKKA)
10	Support services for political asylum seekers

id	Benefit name
11	3212 - Support centers for substance abusers
12	2559 - Social sevices and goods for vulnerable groups (unprotected children, immigrants)
13	2739 - Other general aids and allowances for social welfare
14	2757 - Financial support to persons with damages from fire, earthquake and floods, etc.
15	2799 - Other general aids and reimbursements
16	5221- Expenditures of any nature toward protection from illegal drugs
17	6741.13 financial assistance to homogeneous and repatriated Greeks
18	2739 - Support to citizens for natural disasters

Other Social Insurance Benefits-

id	Benefit name
1	2641.02 - Tourism programs (social tourism vouchers for six-day holidays)
2	0532 -Funeral Expenditures employees insured and their family members
3	0534 Funeral expenditures for family members of employees
4	0539 -Funeral expenditures for others
5	a) OAED Social Tourism
6	b) OAED Funding for Union Organizations
7	c) OAED Entertainment
8	d) OAED Books
9	2639 & 4419- e) OAED Summer camps for OAED