ATTACHMENT I: PORTUGAL—MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

September 1, 2011

A. Macroeconomic Outlook

1. **GDP growth and inflation for the year as a whole are expected to remain in line with the program framework.** Following two consecutive quarters of declines in growth, activity was flat in the second quarter. Exports have been relatively strong; consumer confidence indicators are steady, albeit at historical lows; credit developments have so far been consistent with a gradual deleveraging process; and employment has remained broadly stable. However, GDP is still expected to contract at an accelerated pace in 2011H2. In addition there are downside risks arising from the less favorable external environment than assumed even a few months ago. The path of inflation during 2011 is largely influenced by tax measures (VAT and tariff adjustments) in the context of the adjustment program.

B. Reducing Public Debt and Deficit

2. **We remain fully committed to our fiscal targets** of deficit-to-GDP ratios of 5.9 percent in 2011, 4.5 percent in 2012, and 3 percent in 2013. Achieving fiscal consolidation while protecting vulnerable groups remains a priority.

3. **Fiscal performance has so far been broadly in line with the program, but pressures have emerged.** While the end-June quantitative performance criterion on the general government cash balance was met, a number of developments during the first semester are threatening the achievement of the end-year fiscal target. These include support to several SOEs and Public-Private Partnerships (PPPs), and slippages in expenditure controls, mainly on employment costs and intermediate consumption. The projected shortfall for the year as a whole is expected to be about 1.1 percent of GDP.

4. **We commit to implement new measures to address this shortfall.**

- A one-time surcharge in the context of personal income tax has been introduced. We expect this new tax to generate 0.5 percent of GDP in 2011, with an adjustment yielding 0.1 percent of GDP in 2012.

- A number of measures initially scheduled for 2012 will be brought forward. Increases in the VAT rates for gas and electricity to the standard rate will be implemented starting on October 1, generating additional revenues of 0.1 percent of GDP in 2011.

- Additional sales of concessions (including an augmented spectrum auction) will raise 0.4 percent of GDP in 2011.

- The ongoing process of a phased transfer of banks' pension funds to the state social security system will exceptionally be used toward meeting the 2011 deficit target (see also the MoU).

5. **The 2012 budget, currently under preparation, will be fully consistent with the deficit target of 4.5 percent of GDP.** On current projections, the shortfalls in 2011 are projected to create a gap of about 0.6 percent of GDP in 2012. The budget will include measures to cover this gap, in addition to measures of about 3 percent of GDP specified in our May 2011 MEFP. In view of the already high tax burden, we are determined to focus this additional effort needed on expenditure cuts. The draft budget will be discussed with staff of the EC, ECB, and IMF before it is approved by the council of ministers.

C. Streamlining the Public Sector

Public Financial Management (PFM)

6. **We are committed to strengthening our PFM system.** We will implement all the measures defined in the May 2011 MEFP and the MoU. Our reform will be guided by an action plan determined in consultation with a recent IMF/EU technical assistance mission. We are working on a medium-term fiscal strategy document for the general government (structural benchmark), which will outline how some of the key reforms introduced by the amended 2011 budget framework law, in particular medium-term budgeting and the transition to accruals accounting, will be implemented over time. In order to support an improved assessment of fiscal risks starting with the 2012 budget, a definition of contingent liabilities was approved in July. Finally, the statutes of the independent fiscal council are expected to be approved in Parliament by September, and we are committed to making this council fully operational by end-December 2011.

7. **We will strengthen expenditure control and prepare a strategy to clear the stock of arrears over time.** Our preliminary survey, which was completed ahead of the schedule, has revealed a sizable stock of arrears as of end-June (about €3.8 billion), most of which is concentrated in the health sector and local governments. Our near-term priorities in this regard are to:

- Enhance, by end-September 2011 our survey of arrears, which will cover all entities within the general government and all transactions (e.g. employment costs, utilities, interest costs, transfers to local and regional governments, goods and services, capital expenditure, and transfers of withheld taxes and social contributions to respective responsible collection agencies and institutions);

- Prepare a strategy for the settlement of arrears for the entities of general government, as well as SOE hospitals, by end-September;

- Issue an instruction to general government units requiring that from January 1, 2012, (i) commitments must be controlled against available funds recorded in the accounting system and evidenced by authorized commitment documents (“*cabimento*”) bearing valid commitment numbers; (ii) all other commitments would be considered illegal and not eligible for payment; and (iii) any public official incurring such illegal commitment or expenditure will be subject to specified penalties in accordance with the budget framework law. (Prior Action)

- Issue an instruction to general government units to ensure that systems and procedures will comply, by end-December 2011, with the revised budget execution rule, as set out in the above instruction. (Prior Action)

- Carry out, through the Ministry of Finance, regular reviews of the commitment control systems of hospitals and local governments.

8. **The financial accountability and management functions of regions and municipalities will be strengthened**. In particular, given the sizeable risks to public finances, we will urge the two regional governments to adopt PFM reforms similar to those envisaged for the central government. Under the current commitments to revise the regional and local public finance laws, by end-December 2011 we will, in consultation with regional and local governments, endeavor to put a framework in place to: (i) require that their revenue projections be reviewed by the fiscal council; (ii) introduce a contingency reserve under their overall expenditure envelope as a buffer against genuine surprises; (iii) review the revenue-sharing mechanism between the State and the regions; (iv) strengthen the supervisory power of the State over the regions; and (v) apply tighter debt ceilings combined with the adoption of a multi-tiered monitoring system, as suggested by the July 2011 TA mission.

Revenue Administration

9. **We remain committed to the reforms set in the May 2011 MEFP.** An IMF/EC TA mission in early September will review our revenue administration reform agenda and provide inputs for fulfillment of our upcoming commitments, in particular: (i) the preparation of the strategic plan for 2012–14; (ii) the assessment of the current state of tax information systems; and (iii) the design of the new merged revenue administration structure. We are already improving the resolution process for tax appeals, and the number of outstanding cases above €1 million at the tax court has already fallen by 200. The new tax arbitration law has been implemented as planned.

Public Administration and its Perimeter

10. **The public administration is being streamlined.** A second phase of the restructuring program was launched for the central government. We are preparing a new set of organic laws aiming at reducing by at least 15 percent management positions and administrative units. The draft legislation will be submitted to the Council of Ministers by

end-October. As a key step to fulfill our commitments, we will submit to public discussion a White Book of administrative reform by end-September 2011. Starting with the 2012 budget, we will reduce the number of State Autonomous Funds. We will also aim to classify as general revenues, on a case by case basis, all own revenues of these funds that arise directly or indirectly from the use of the sovereign powers of the government (e.g. court fees, fines, fees for licenses or permits, and audit fees charged by the Court of Auditors).

SOEs

11. **We are committed to fundamentally overhauling the SOE sector**. We recognize that SOEs should not continue to act as off-budget arms of the state, but must focus on efficient provision of essential public services. Our strategy for firms with commercial operations rests on a combination of operational restructuring to restore financial balance and eliminate deficits and closure or divestiture of firms providing nonessential services or producing goods. Regarding noncommercial firms, in particular in the health sector, we will implement measures to improve efficiency and effectiveness, and generate saving, as detailed in the MoU.

12. **We will restore operational balance to most SOEs by the end of 2012**. We have implemented cost reduction measures across the SOE sector aiming at a 15-percent average reduction and raised tariffs on public transportation. Results have been mixed, in particular due to the underperformance of the health sector, which will need a longer period to adjust. We will take further new measures to ensure that all but the most problematic cases have a zero operational deficit by the end of 2012, preparing an SOE strategy document by end-September with numerical targets on cost reductions, including measures to realign wages or reduce employment, and further tariff increases as needed. A review of SOE operations and finances will be an input to the budget. We will impose progressively stricter limits on the SOEs' borrowing requirement from 2012 onwards. For the firms with the most entrenched financial and operational difficulties restructuring may take longer, and require a recomposition of their liabilities from debt to equity. Our strategy document will address these issues fully.

13. **Financial support for SOEs may be needed during the transition to long-term viability**. Some SOEs face significant difficulties rolling over amortizing debts. These debts are principally owed to the domestic and European banks, including the EIB, and our restructuring strategy will be a key tool in helping SOEs' roll over amortizing debt. While we have been largely successful in this policy, in some cases the central government has had to step in to provide resources and allowing SOEs to meet their commitments on time. Any such support will be provided within the agreed deficit target for the general government. The SOEs will urgently develop medium term restructuring plans with a view to reduce their indebtedness and restructure to ensure improved conditions for markets financing.

Privatization

14. **We are pushing ahead with privatization.** We will fully divest public sector shares in EDP, REN, and GALP (and if market conditions permit, TAP), by the end of the 2011. We will do this under the new framework law for privatization (see MEFP ¶ 27) and in accordance with EU competition and state aid rules. We have also decided to include Aguas de Portugal and RTP in privatization by end-2012 in addition to enterprises identified for sale under the broader strategy of comprehensive SOE restructuring.

15. **We will develop a strategic plan for Parpublica, whose sources of income would be affected by privatization.** The plan, which will be prepared before end-2011, will reconsider the role of Parpublica as a public company, including eliminating the obligation to remit the proceeds of the sale of assets to the Treasury in return for new assets, and considering the possibility of winding down the company or consolidating it with the general government. In the interim we will ensure that Parpublica will have sufficient income-generating assets to manage its debt and financing needs.

D. Protecting the Financial System amidst Deleveraging

16. **Bank liquidity remains under pressure.** We continue to encourage banks to strengthen their collateral buffers, and we have finalized the approval of the issuance of government guaranteed bank bonds in the amount of up to €35 billion.

17. **A balanced and orderly deleveraging of the banking sector remains critical to eliminating funding imbalances on a permanent basis.** The process has started, with banks having delivered a first version of their medium-term plans to achieve a stable market-based funding position. The funding plans target a reduction in the loan-to-deposit ratio to about 120 percent and a reduction of the reliance on Eurosystem funding during the duration of the program, while ensuring adequate support to the more productive sectors of the domestic economy, including SMEs. The BdP and the ECB will ask banks to revise their funding plans by end-September. These funding plans will be reviewed quarterly, starting with the second review of the program, with a view to ensuring, in particular, consistency with the macroeconomic framework—including the medium-term plans for the public sector that are under development (MEFP ¶12). The BdP will take appropriate action in case of deviations from the banks' funding plans. To facilitate quarterly reviews, we will develop high frequency indicators for credit to the main sectors of the economy.

18. **To bolster the resilience of the banking sector, banks have been asked to further strengthen their capital buffers, while we have augmented the bank solvency support facility.** Banks have presented plans to the BdP by which they intend to reach a core tier 1 capital ratio of at least 9 percent by end 2011 and 10 percent by end 2012 through internal means and market solutions. Banks will revise their capital plans on a quarterly basis. In the event that they cannot reach the targets on time through market based solutions, ensuring higher capital standards may temporarily require public provision of equity for the private

banks. In this regard we have increased the bank solvency support facility to €12 billion, as planned under the program. The banks benefitting from equity injections will be subjected to specific management rules and restrictions, and to a restructuring process in line with EU competition and state aid requirements.

19. **We have started to streamline the state-owned CGD group to increase the capital base of its banking arm as needed.** We plan to transfer the insurance arm of the group to a state entity, as a first step toward its eventual sale. Prior to the transfer, a new independent evaluation of its market value will be performed, to be completed by the time of the second review. On the basis of that evaluation, CGD's capital increase plan will be adjusted to ensure that all the necessary resources come from within the group, as it does not have recourse to the bank solvency support facility.

20. **The BdP has intensified its monitoring of the banking sector.** It stepped up the application of its Solvency and Deleveraging Assessment Framework (SDAF) for the system as a whole and for each of the eight largest banking groups. A joint team of experts from the EC, the ECB and the IMF completed an evaluation of the enhanced assessment framework in June 2011 and a timetable has been agreed upon for the implementation of most of the recommendations by the second and third reviews. The BdP will monitor the banks' potential capital needs on a quarterly basis, with a forward looking approach under stress conditions. The BdP has also launched a Special on-site Inspections Program (SIP) to validate the data on assets that banks provide as inputs to the SDAF. This process is overseen by a steering committee chaired by the BdP that comprises representatives from the EC, ECB and the IMF as well as from three euro area supervisory authorities, with participation from external consultants. The process should be completed by early 2012. In addition, disclosure of nonperforming loans is being improved by adding a new ratio aligned with international practices to the current ratio that covers only overdue loan payments.

21. **We have chosen a buyer for Banco Português de Negocios (BPN).** In order to conclude the deal, we understand that there are a number of issues to be cleared under EU competition and state aid rules. We will fully cooperate in these matters with the relevant authorities.

22. **Legislative amendments to strengthen the framework for early intervention, resolution, and deposit insurance will be adopted by end November 2011 (structural benchmark).** Amendments (prepared in consultation with the ECB, and EC and IMF staff) will grant the authorities adequate resolution tools (including recapitalization in accordance with the relevant EU framework and transfer of assets and liabilities) to orderly resolve banks under official control. To adequately fund such resolution, amendments will also (i) strengthen the availability of funding for the resolution by clarifying that the Deposit Guarantee Funds' (FGD and FGCAM) may contribute, if necessary, by funding the transfer of guaranteed deposits to another bank, up to the amount that would have to be paid out in liquidation (while removing their ability to recapitalize banks), and (ii) introduce a priority

insolvency ranking for guaranteed deposits. We will further examine the establishment of a resolution fund and the interaction between such a fund and the deposit guarantee funds in line with developing EU legislation in this area**.**

23. **The legal framework for corporate and household debt restructurings is being strengthened.** A review of the insolvency law is underway and the corporate insolvency law will be amended by end-December 2011 (structural benchmark) to better support early rescue of viable firms. The Ministry of Justice is taking the lead in preparing voluntary corporate out of court restructuring guidelines which will be issued by end-September 2011. Proposals to authorize the tax administration to use a wider range of restructuring tools are being prepared. Finally, we are developing an action plan to raise public awareness of the restructuring tools available for early rescue and re-organization of viable firms.

24. **We are intensifying the monitoring of the corporate and household sectors.** Following up on recommendations from a recent IMF-EC-ECB technical assistance mission, the quarterly monitoring of the corporate and household sectors is being enhanced and we have started to prepare action plans to deal with the large debt overhang of these sectors, based on the assessment of existing support programs and market-based funding alternatives.

E. Enhancing Competitiveness through Structural Reforms

Labor Markets

25. **The government remains committed to fostering job creation and wage flexibility through a well-functioning labor market.** We strive for a timely and effective implementation of the measures described in the May 2011 MEFP:

- We have submitted to Parliament legislation to reform severance payments for new hires, aligning the payments of open-ended contracts with those of fixed-term contracts, reducing dismissal costs to 20 days per year of service, eliminating the three month minimum payment, and capping payments at 12 months of pay. The law is expected to enter into force by September 2011.

- Following consultation with social partners, we will prepare a draft law regulating the functioning of the employer-financed dismissal fund by end-September 2011.

- In line with our commitment to a sweeping employment protection reform over the next few quarters, we are giving careful consideration to ways of (i) extending the severance pay adjustment to include current employees without reducing accrued-to-date entitlements, and (ii) benchmarking to the EU average.

Fiscal Devaluation

26. **A major fiscal devaluation remains a key element in our strategy to boost price competitiveness.** To this end, we will incorporate, in the context of the 2012 budget, a fiscally neutral cut in the employers' rate of social contributions (SSC). The offsetting measures will be integrated in the context of the ongoing fiscal consolidation, to avoid piecemeal changes to the tax system. These offsetting measures will take into account the need to protect vulnerable consumers, and will allow for a buffer to address cyclical volatility in the fiscal balance. The reform will be finalized after consultation with the IMF, EC, and ECB in September, ahead of the finalization of the 2012 budget.

Competition Framework

27. **To encourage competition, the State will strongly reduce its direct involvement in private sector activities.** We have effectively abolished involvement through controlling shares or special rights of the State, while ensuring consumer protection and a level-playing field.

- Legislation adopted by Parliament in end-July eliminated "golden shares" of the government in publicly quoted companies. Going beyond our commitment in the MoU, we have amended the Framework Law of Privatization by repealing all provisions which allow for special rights of the State or other public bodies in the corporate management or control of private companies.

- To encourage entry of strategic investors, we have also amended the articles of the Privatization Law which gave the State power to set caps on the acquisition or voting rights in privatized companies. We have eliminated voting caps, and commit not to set acquisition caps beyond the initial privatization transaction. In EDP, where such provisions already exist, we have proposed increasing voting caps for any individual shareholder from 5 percent to 20 percent.

- The State or any public entity will not conclude shareholder agreements whose intention or effect is to hinder the free movement of capital. We commit to sell the remaining shares held by CGD in GALP, thereby withdrawing from the last remaining such agreement.

- We are preparing a new draft Competition Law, clearly separating rules on competition enforcement procedures and penal procedures and harmonized with the EU competition legal framework, which we expect to present for public consultation by end-September, and approve by end-December 2011. A new specialized Court on Competition, Regulation, and Supervision was established at end-June, to start functioning by end-March 2012.

- To strengthen the independence of regulators, we are preparing the terms of reference for an independent report by internationally recognized specialists on the main National Regulatory Authorities (NRAs), on the basis of which we will consider further changes to the regulatory framework. We will launch a call for a tender by end-October 2011, which would produce a report by end-March 2012.

28. **We are taking bold steps to address excessive profits in non-contested markets and reduce the scope for rent-seeking behavior**.

Telecommunications

- The spectrum auction rules will ensure that potential new entrants are not placed at a competitive disadvantage, by carrying out an assessment of possible distortions and anti-competitive behavior, and creating a level playing field in terms of access to national roaming and taking other measures, as detailed in the updated MoU.

Energy markets

- We will continue to press forward with measures described in the MoU to foster competition and to rationalize the additional costs associated with the production of electricity under the ordinary and special regimes.

- Beyond exploring measures to put downward pressure on policy costs, we remain committed to a rigorous analysis of the costs and consequences for energy prices of all future investments in renewables. Through these and other measures we will ensure the sustainability of the national electricity system, and avoid further unfavorable developments in the deficit in the energy sector.

- As to the Third EU Energy package, we commit to take the required steps to implement the provisions of the package, in particular concerning the powers of the regulator, by end-March 2012, as detailed in the MoU.

Services and regulated professions

- We will continue with reforms that facilitate the establishment and cross-border provision of services, allowing for a more integrated and competitive market. Following the recently approved legislation for the construction and real estate sectors, we will analyze the need for further amendments to the sectoral legislation to ensure that all unjustified restrictions are lifted.

Judicial Reforms

29. **We recognize the urgent need to make the judicial system more effective**. To achieve our goal of resolving the backlog of cases within 2 years, we have

developed targeted measures based on the June 2011 audit. Given the pivotal role of enforcement agents in the debt enforcement process, as a new measure, we will strengthen the legal and institutional framework in line with international practice with a particular focus on the financing structure and authority of the oversight body, including adopting a decree law by end-2011 to ensure the body's full access to the enforcement case files.

30. **We are advancing with reforms to improve efficiency of the court system.** We will, by end-2011, conduct an assessment of court management with a view to speeding up court proceedings and improving cost efficiency. The new Courts on Competition Matters and Intellectual Property Rights will now become operational by end-March 2012. We have accelerated a comprehensive review of the Code of Civil Procedure and are now preparing a proposal in a consultative manner by end-2011 (structural benchmark) to analyze the experience with the new experimental regime, and building on such experience, to address the key areas for refinement. We are also strengthening alternative dispute resolution framework to facilitate out of court settlement. Finally, we have decided not to continue with planned extensions of experimental civil procedure regime to more courts, given the fiscal costs (May MEFP, Para 46).

31. **We are committed to putting in place a more sustainable and transparent budget for the judiciary**. In particular, we will publish, by end-January 2012, an annual plan for 2012 on the allocation of resources based on court by court performance data. Quarterly reports on recovery rates, duration and costs of corporate insolvency and tax cases for the third quarter of 2011 are being prepared and will now be published by end-October 2011.

F. Safeguard Assessment

32. **In line with the recommendations of an IMF safeguard mission, the BdP's governance structure will be reinforced**. We are committed to managing the resources provided by the international community in a transparent and prudent manner. To strengthen the Board's role in supervising the activities of its executive members, we will seek amendment of the BdP's organic law in order to codify independent oversight in line with new corporate governance models. The BdP will adopt internal regulations extending the supervisory responsibilities of the Audit Board to other tasks such as oversight of internal control functions, financial reporting, and audit.

33. **We will also conduct a review of Fund related transactions with the debt management agency (IGCP)**. We have asked the Court of Auditors to conduct a special review of the IGCP's internal controls over foreign exchange transactions related to program disbursements. In addition, the IGCP has, at the request of the IMF, updated its investment policy which now requires that all in transactions related to Fund disbursements be undertaken with investment grade counterparties.

Table 1. Portugal: Quantitiative Performance Criteria
(In billions of Euros, unless otherwise specified)

	Performance Criteria (unless indicated otherwise)				Indicative Targets			
	Jun-11							
	Program	Actual	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
1. Floor on the consolidated General Government cash balance (cumulative) 1/	-5.4	-5.1	-6.7	-10.3	-1.7	-3.9	-5.9	-7.6
2. Ceiling on accumulation of new domestic arrears by the General Government (continuous indicative target) 2/	…	…	0	0	0	0	0	0
3. Ceiling on the overall stock of General Government debt	175.9	167.9	175.9	175.9	189.4	189.4	189.4	189.4
4. Ceiling on the accumulation of new external payments arrears on external debt contracted or guaranteed by the general government. 3/	0	0	0	0	0	0	0	0

1/ Corresponds to an overall deficit of the General Government of €10,042 million on ESA 95 basis. Cumulative from January 1, 2011 for 2011, and cumulative from January 1, 2012 for 2012.
2/ Applies on a continuous basis. The indicative target will start applying with the end-September arrears data, to be compared to the end-August arrears data.
3/ Applies on a continuous basis from June 15 onwards.

Table 2. Portugal: Structural Conditionality

Measure		Timing	Status
Prior Actions			
1	Issue an instruction to general government units requiring that from January 1, 2012, (i) commitments must be controlled against available funds recorded in the accounting system and evidenced by authorized commitment documents ("cabimento") bearing valid commitment numbers; (ii) all other commitments would be considered illegal and not eligible for payment; and (iii) any public official incurring such illegal commitment or expenditure will be subject to specified penalties in accordance with the budget framework law.		
2	Issue an instruction to general government units to ensure that systems and procedures will comply, by end-December 2011, with the revised budget execution rule, as set out in the above instruction.		
Structural Benchmarks			
A. Strengthen financial stability and enhance banking sector monitoring:			
3	Design a program of special on-site inspections to validate the data on assets that banks provide as inputs to the solvency assessment.	End-Jun. 2011	Met
4	Seek evaluation of the enhanced solvency and deleveraging assessment framework by a joint team of experts from the EC, the ECB and the IMF.	End-Sep. 2011	Met
5	Improve disclosure on non-performing loans by adding a new ratio aligned with international practices to the current ratio that covers only overdue loan payments.	End-Sep. 2011	Met
6	Amend relevant legislation in consultation with the EC, the ECB and the IMF to strengthen the early intervention framework, introduce a regime for restructuring of banks as a going concern under official control and strengthen deposit insurance framework	End-Nov. 2011	
7	Amend the Insolvency Law to better facilitate effective rescue of viable firms	End-Dec. 2011	
B. Enhance competitiveness:			
8	Eliminate "golden shares" and all other special rights established by law or in the statutes of publicly quoted companies that give special rights to the state.	End-Jul. 2011	Met
9	Submit to Parliament a law, already agreed with social partners, to align and reduce severance payments on all new contracts (fixed term and open-ended).	End-Jul. 2011	Met
10	Finalize calibration of fiscal reform to reduce unit labor costs via deficit-neutral reduction in labor taxes.	End-Jul. 2011	Not met 1/
11	Submit to Parliament legislation revising the Competition Law, making it as autonomous as possible from the Administrative Law and the Penal Procedural Law and more harmonized with the European Union competition legal framework.	End-Dec. 2011	
12	Review the efficiency of support schemes for co-generation and renewables and propose possible options for reducing the implicit subsidy.	End-Dec. 2011	
13	Review the Code of Civil Procedure and prepare a proposal addressing the key areas for refinement.	End-Dec. 2011	
14	Take all necessary legal, administrative, and other steps to make arbitration fully operational.	End-Feb. 2012	
C. Strengthen public financial management and reduce fiscal risks:			
15	Publish a fiscal strategy document for the general government which will specify 4-year medium-term economic and fiscal forecasts, supporting analysis and underlying assumptions, and 4-year costings of new policy decisions.	End-Aug. 2011	
16	Conduct and publish the results of a survey of arrears of general government entities and SOEs for all categories of expenditure as at end-June 2011.	End-Aug. 2011	
17	Based on assessment from EU/IMF technical assistance on the budgetary implications of main PPP programs, recruit a top tier international accounting firm to complete a more detailed study of PPPs and identify areas for deeper analysis by an international consulting firm.	End-Dec. 2011	
18	Prepare a report on SOEs based on forecast financial statements assessing their financial prospects, potential government exposure, and scope for orderly privatization.	End-Feb. 2012	

1/ A study highlighting key design issues and a number of options for achieving a reduction in labor taxes has been published. Further discussion with the EC, ECB, and IMF is needed ahead of the finalization of the 2012 budget.