



European
Commission

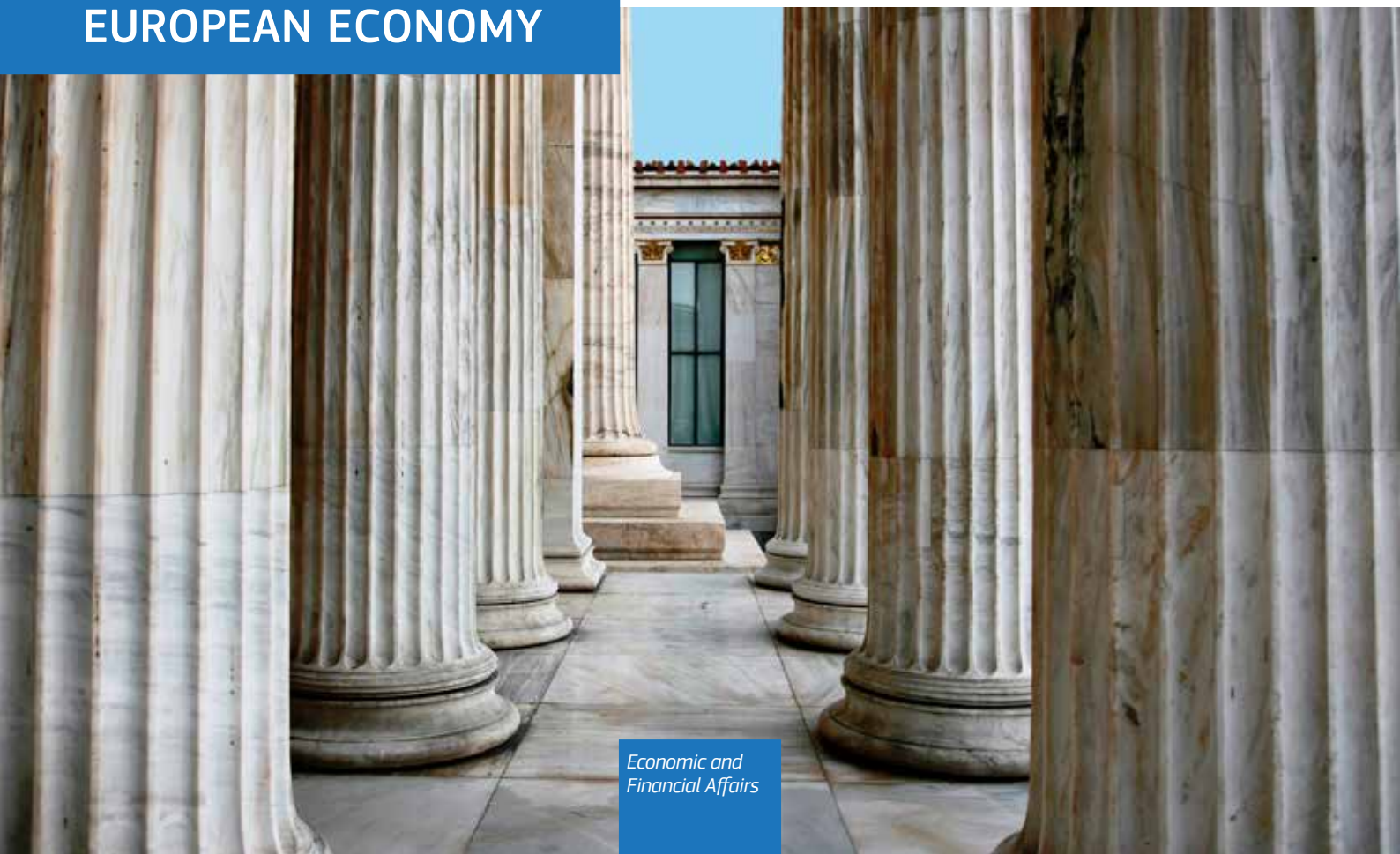
ISSN 2443-8014 (online)

Enhanced Surveillance Report

Greece, February 2021

INSTITUTIONAL PAPER 145 | FEBRUARY 2021

EUROPEAN ECONOMY



*Economic and
Financial Affairs*

European Economy Institutional Papers are important reports analysing the economic situation and economic developments prepared by the European Commission's Directorate-General for Economic and Financial Affairs, which serve to underpin economic policy-making by the European Commission, the Council of the European Union and the European Parliament.

DISCLAIMER

The views expressed in unofficial documents do not necessarily represent the views of the European Commission.

LEGAL NOTICE

Neither the European Commission nor any person acting on behalf of the European Commission is responsible for the use that might be made of the information contained in this publication.

This paper exists in English only and can be downloaded from https://ec.europa.eu/info/publications/economic-and-financial-affairs-publications_en.

Luxembourg: Publications Office of the European Union, 2021

PDF ISBN 978-92-76-29716-1 ISSN 2443-8014 doi:10.2765/255213 KC-BC-21-002-EN-N

© European Union, 2021

Reuse is authorised provided the source is acknowledged. The reuse policy of European Commission documents is regulated by Decision 2011/833/EU (OJ L 330, 14.12.2011, p. 39). For any use or reproduction of material that is not under the EU copyright, permission must be sought directly from the copyright holders.

CREDIT

Cover photography: © iStock.com/vasiliki

European Commission
Directorate-General for Economic and Financial Affairs

Enhanced Surveillance Report – Greece, February 2021

Communication from the Commission
and accompanying Commission Staff Working Document



Brussels, **XXX**
[...](2021) **XXX** draft

SENSITIVE*: *Limited to Cabinets*
UNTIL ADOPTION

COMMISSION STAFF WORKING DOCUMENT

Enhanced Surveillance Report - Greece, February 2021

Accompanying the document

COMMUNICATION FROM THE COMMISSION

Enhanced Surveillance update - Greece, February 2021

ABBREVIATIONS

AIA: Athens International Airport
ANFA: Agreement on Net Financial Assets
ASEP: Supreme Council for Civil Personnel Selection
CRR: Capital Requirement Regulation
DEPA: Public Gas Corporation
DRU: Dispute Resolution Unit
ECB: European Central Bank
EFKA: Single Social Security Fund
EFSF: European Financial Stability Facility
EIB: European Investment Bank
EKAPY: National Central Authority of Health Procurements
ENFIA: Unified Property Tax
EOPYY: National Organisation for the Provision of Healthcare Services
ERGANI: Greek Database for Unemployment Registration
ERGOSE: Subsidiary company of OSE to implement railways infrastructure projects
ESI: Economic Sentiment Indicator
ESM: European Stability Mechanism
ESOEL: National Coordinating Body for Audit and Accountability
ETAD: Public Properties Company
ETEAEP: Supplementary Pension Fund
EYATH: Thessaloniki Water Supply and Sewerage Company
EYDAP: Athens Water Supply and Sewerage Company
FEK: Government gazette
GDP: Gross Domestic Product
GPS: Global Positioning System
GRECO: Group of States against Corruption
HCAP: Hellenic Corporation of Assets and Participations
HELEXPO: National institution for the organisation of exhibitions, congresses and cultural events
HFSF: Hellenic Financial Stability Fund
HRADE/TAIPED: Hellenic Republic Asset Development Fund
HRMS: Human resources management system
IAPR: Independent Authority for Public Revenue
ICT: Information and Communication Technologies
IEK: Public professional schools
IKE: Greek private company
IMF: International Monetary Fund
JASPERS: Assistance to Support Projects in European Regions
KEK: Vocational training centres

KEPA: Disability assessment centres
KOMYs: Newly and swiftly deployed medical mobile units
KPI: Key performance indicator
KTEL: Joint-venture of Regional Transport
LCR: liquidity coverage ratio
LEPETE: Supplementary Pension Fund of the National Bank of Greece
MFIs: Monetary financial institutions
NFCs: Non financial corporations
NOME: Nouvelle organisation du marché de l'électricité (New organisation of the electricity market)
NPEs: Non-performing exposures
OAED: Public employment service
OAKA: Olympic Athletic Centre of Athens
OASA: Athens Urban Transport Organization
OASTH: Urban Transport of Thessaloniki
OGA: Agricultural Insurance Organisation (former farmers' fund)
OMED: Mediation and arbitration board
OSDDY: Integrated Management System for Judicial Cases
OSE: Organisation of railways of Greece
OSS: One-stop shop
PMI: Purchasing Managers Index
PPC: Public Power Corporation
SEPE: Labour inspections directorate
SMP: Securities Markets Programme
SOE: State Owned Enterprises
SURE: Support to Mitigate Unemployment Risks in an Emergency
SYNERGASIA: Temporary short-time work scheme
TEPIX II: Envelope for co-financing loans to small and medium-sized enterprises
TLTRO III: Eurosystem targeted longer-term refinancing operations
TOMYs: primary health care units
VAT: Value added tax

ACKNOWLEDGEMENTS

This report is prepared as an enclosed document to the Commission's assessment pursuant Article 3(5) of Regulation (EU) 472/2013 published as Communication from the Commission – Enhanced Surveillance – Greece, February 2021. It was prepared in the Directorate General Economic and Financial Affairs, under the direction of Maarten Verwey, Director General, Declan Costello, Deputy Director General, and the coordination of Julia Lendvai, Head of Unit and Milan Lisicky, Deputy Head of Unit.

Contributors:

Chris Allen, Giuseppe Carone, Fotini Dionyssopoulou, Matteo Duiella, Dolores Gloria Duran Bono, Sotirios Giannoulis, Christos Gofas, Andras Hudecz, Alexander Ioannidis, Eloïse Lecouturier, Vasileios Maroulis, Benedetta Martinelli, Vasilis Nikitas, Zoltan Petrov, Eleni Polemidiotou, Marie-Luise Rud, Manos Sfakianakis, Alexandros Tavoutsoglou, Andreas Trokkos, Vasiliki Vasilopoulou, Irene Vlachaki, Veli Laine, Rainer Wichern and Alkistis Zvakou.

The European Central Bank staff participated in the drafting of this report in accordance with the European Central Bank's competences and thus provided expertise on financial sector policies and macro-critical issues, such as headline fiscal targets and sustainability and financing needs. Staff of the European Stability Mechanism contributed to the preparation of this report in the context of the European Stability Mechanism's Early Warning System and in accordance with the Memorandum of Understanding of 27 April 2018 on working relations between the European Commission and the European Stability Mechanism. International Monetary Fund staff participated in the context of its Post-Programme Monitoring framework.

Comments on the report would be gratefully received and should be sent by post or e-mail to:

Julia Lendvai

European Commission

Unit ECFIN-F-2

CHAR 14/103

B-1049 Brussels

e-mail: ECFIN-GREECE-REQUESTS@ec.europa.eu

CONTENTS

Communication from the Commission..... 5

Commission Staff Working Document15

Communication from the Commission



Brussels, **XXX**
[...] (2021) **XXX** draft

SENSITIVE*: *Limited to Cabinets*
UNTIL ADOPTION

COMMUNICATION FROM THE COMMISSION

Enhanced Surveillance update - Greece, February 2021

BACKGROUND

Economic developments and policies in Greece are monitored under the European Semester for economic policy co-ordination and under the enhanced surveillance framework according to Regulation (EU) No 472/2013 ⁽¹⁾. The implementation of enhanced surveillance for Greece ⁽²⁾ acknowledges the fact that Greece needs to continue implementing measures to address the sources or potential sources of economic and financial difficulties, while implementing structural reforms to support a robust and sustainable economic growth.

Enhanced surveillance provides a comprehensive framework for monitoring economic developments and the pursuit of policies needed to ensure a sustainable economic recovery. It allows for a regular assessment of recent economic and financial developments in Greece, as well as for monitoring sovereign financing conditions and updates of the debt sustainability analysis. Enhanced surveillance also provides the framework for assessing the general commitment given by Greece to the Eurogroup of 22 June 2018, to continue and complete reforms adopted under the European Stability Mechanism programme and to ensure that the objectives of the important reforms adopted under the financial assistance programmes are safeguarded. In that context, enhanced surveillance monitors the implementation of specific commitments to complete key structural reforms started under the programme, in six key areas by agreed deadlines up to mid-2022, namely: (i) fiscal and fiscal-structural policies, (ii) social welfare, (iii) financial stability, (iv) labour and product markets, (v) Hellenic Corporation of Assets and Participations and privatisation, and (vi) the modernisation of public administration ⁽³⁾.

This is the ninth enhanced surveillance report for Greece. The report is based on the findings of a mission held remotely on 26-27 January 2021 and regular dialogue with the authorities. The mission was conducted by the European Commission in liaison with the European Central Bank ⁽⁴⁾; the International Monetary Fund participated in the context of its Post-Programme Monitoring framework, while the European Stability Mechanism participated in the context of its Early Warning System and in line with the Memorandum of Understanding of 27 April 2018, on working relations between the European Commission and European Stability Mechanism. The current report assesses the implementation of Greece's commitments to the Eurogroup regarding reform completion up to end-2020. This report is not linked to a release of policy-contingent debt measures, which – in line with the agreed biannual schedule – could take place on the basis of the tenth report. The tenth report is expected to be published in May.

⁽¹⁾ Regulation (EU) No 472/2013 of the European Parliament and the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability, OJ L140, 27.5.2013, p. 1.

⁽²⁾ Commission Implementing Decision (EU) 2021/998 of 17 February 2021 on the prolongation of enhanced surveillance for Greece.

⁽³⁾ https://www.consilium.europa.eu/media/35749/z-councils-council-configurations-ecofin-eurogroup-2018-180621-specific-commitments-to-ensure-the-continuity-and-completion-of-reforms-adopted-under-the-esm-programme_2.pdf

⁽⁴⁾ ECB staff participated in the review mission in accordance with the ECB's competences and thus provided expertise on financial sector policies and macro-critical issues, such as headline fiscal targets and sustainability and financing needs. The review mission was preceded by a technical mission, also held remotely, from 13 January to 20 January 2021.

OVERALL ASSESSMENT

The report was prepared against the backdrop of the second wave of the pandemic, which has led to a general tightening of containment measures before the end of 2020 and, more recently, to a closure of schools and retail businesses and personal mobility restrictions in certain regions including Athens. The Greek economy is expected to have contracted by 10% in 2020 compared to 2019 with only a partial recovery forecast for this year. The fallout of the tourist season in 2020 on the back of the pandemic negatively affected Greece given the weight of the tourism sector in the economy. The government continued adapting the existing fiscal measures supporting the unemployed and wage earners, whose contracts have been suspended, prolonged the support measures for companies and adopted new targeted measures to protect households and corporates. So far, the employment protection measures, supported by the EU notably through the new financing instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) and the European Social Fund, appear to have been effective, and the unemployment rate has remained broadly stable in spite of the sizeable economic contraction. The number of persons out of jobs is nevertheless growing as hiring of new workers remains subdued. Firms and workers have benefited from public support measures; however, the full size of the challenge faced by the corporate – and the financial – sector is expected to become apparent only at a later stage with the phasing out of support measures, as in other Member States. This will need to be carefully managed to avoid cliff effects.

Despite the challenging circumstances, the authorities managed to progress well in a number of areas, including education, management of state assets, privatisation projects and energy policy. Notably:

- **Two ambitious reforms in the area of education were adopted in the past three months.** A vocational education and training reform was adopted in December 2020 aiming at improving the attractiveness of that path and better linking vocational education and lifelong learning with labour market needs. The Higher Education Law from February 2021 aims, in turn, at modernising the operation of the universities and enhancing the quality of education offered. Moreover, internal and external evaluations of schools have been launched.
- **The Hellenic Corporation of Assets and Participations** completed the review of the boards of all state-owned enterprises, which was a specific commitment. The strategic plan of the Corporation continued to be implemented as planned, and the authorities completed the preparation of the updated Ministerial Guidance for the Corporation.
- **Privatisation tenders** have progressed with the successful closing of the transaction of Marina of Alimos on 31 December 2020, good prospects for concluding the Hellinikon project in the coming months, and some long-awaited progress on pending actions necessary for the Egnatia concession – all of which are specific commitments.
- **In the area of energy policy,** the authorities have launched the market test with a view to closing the long-standing anti-trust case against the Public Power Corporation in the coming months, which is a specific commitment.

Reforms continued also in other important areas. Public financial management reforms, including of the public investment budget, have re-gained the much needed momentum through progress made on the administrative, economic and functional budget classifications. Close monitoring will be needed, as this is key to enhancing the efficiency of payment

procedures. The legislation for the human resources reform of the tax administration was adopted and the reform remains on track for its full implementation by the next review. Public administration reforms have also been progressing as planned, including the adoption of a new legislation for faster and more efficient recruitment of civil servants.

Nevertheless, the overall pace of implementation seems to have slowed down in a number of areas, due notably to the pandemic context, and the implementation of measures to address several commitments has been delayed. In addition to the continued difficulties posed by the pandemic, the authorities also pointed to a reshuffle of several key posts in the administration at the beginning of this year and the increased workload due to the preparations of the Recovery and Resilience Plan as a cause of some delays, and this is duly acknowledged. A number of detailed specific roadmaps have been agreed to prepare the ground for decisive progress by the tenth report in May. These include a continued delivery of the financial sector reforms, full implementation of the human resources reform of the Independent Authority for Public Revenues, operationalisation of the Project Preparation Facility and the Strategic Projects Pipeline for major investments, prevention of the creation of new arrears and reduction of the existing stock following the delays observed including through the reinforcement of the Steering Committee for the clearance of arrears and simplification of the legislative framework for the conduct of fiscal procedures, completion of the reform of the further simplification of investment licensing in agreed areas, and the adoption of the modernised Labour Code. In addition, the authorities committed to a number of specific steps in the areas of health care, fighting corruption, public administration reform and the implementation of the chart of accounts. Given its importance in the context of the overall recovery strategy, the justice reform needs to be relaunched, as reforms linked to the effectiveness of the justice system contribute to ensuring a swift implementation of investments, including from the private sector.

The implementation of some key financial sector reforms has also been delayed but an ambitious timeline for the next review was agreed. The entry into force of the insolvency code was partially postponed at the end of last year, with some elements envisaged to enter into force on 1 March, and others postponed to 1 June 2021. This code represents a major reform of the insolvency framework but requires substantial implementation work related to its detailed specification as well as to the setting up of an IT platform interconnected with those of the banks. Implementation of other agreed reforms continues but at a slower pace than previously agreed and will require close monitoring, particularly with respect to the clearance of the backlog of household insolvency cases (the end-2021 target appears at risk) and with respect to the clearance of called state guarantees, which has been further delayed in the last quarter of 2020 also on account of difficulties with hiring of new staff amidst the tightening of containment measures. The authorities are preparing additional measures to support the financial sector, in particular an extension of the asset protection scheme Hercules, which is welcome. In the context of the tightening of containment measures towards the end of 2020, the authorities have suspended all enforcement measures across all categories of debtors, including the conduct of e-auctions and its preparatory steps, which can take several months. Such a generalised freezing of all enforcement steps, if protracted, may impinge on a swift and efficient handling of non-performing loans by Greek banks and servicers going forward. The authorities are thus invited to adopt temporary and more targeted solutions in a timely manner, while protecting vulnerable households.

The authorities are engaging closely with the European Commission in the context of the preparation of the Recovery and Resilience Plan. This is welcome as the significant funds that Greece is entitled to receive via the Recovery and Resilience Facility, if used efficiently and appropriately, would support growth, job creation and the twin transitions in the coming

years. The EU Recovery and Resilience Facility will make available €30.5 billion to Greece during the period 2021-2026, out of which €17.8 billion through grants. Reforms and investments that will be part of the Plan are expected to build on and complement past and ongoing reforms in the context of the enhanced surveillance process. Coupled with the additional envelope of €1.7 billion under the React-EU instrument and the €2.7 billion already disbursed by the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) as well as any possible additional amount⁽⁵⁾, these substantial financing resources will help cushion the economic and social impact of the pandemic and provide the necessary support for a sustainable and inclusive recovery.

Overall, this report concludes that Greece has progressed well with the implementation of a number of reform commitments yet notes that reform momentum has slowed down, acknowledging the challenging circumstances caused by the pandemic. The European institutions welcome the continued close and constructive engagement of the authorities and the agreement on a number of revised timelines for critical reforms. The authorities are encouraged to continue to mobilise resources with a view to taking all necessary steps to achieve their due specific commitments in time for the tenth enhanced surveillance report, to be issued in May and for which a disbursement of the next set of policy-contingent debt measures is foreseen.

MACROECONOMIC DEVELOPMENTS

The coronavirus pandemic continues to have a strong negative impact on the Greek economy. The economy expanded by 2.3% on a quarter-on-quarter basis in the third quarter of 2020 after a decline of -14.1% in the previous period. The recovery in the third quarter was substantially less dynamic than the sizable rebound in the euro area, largely on account of the sharp fall of value added in the tourism sector. Growth was driven by private consumption, with the exports of goods showing some resilience. Unemployment continued to decline, reaching 16.2% in the third quarter of 2020, which indicates that the support measures in place are successful in protecting jobs. At the same time, employment decreased compared to a year ago, primarily due to the lower number of hires in the tourism sector. Youth unemployment also decreased but remains very high at 34.2% in the third quarter.

Following the tightening of containment measures towards the end of 2020, the economic recovery is expected to remain anaemic in the first half of this year. The containment measures announced in November 2020 remain in place, implying severe restrictions for the services sector, while industrial production continues with limited disruptions albeit facing disrupted supply chains and curtailed demand. These necessary measures to save lives are expected to further delay the economic recovery. The Commission 2021 winter forecast, prepared before the recent regional tightening of containment measures, expects real GDP growth to reach 3.5% in 2021 and 5% in 2022, driven mainly by domestic demand. The projection assumes that vaccination will gradually succeed to protect the most vulnerable by mid-2021, allowing for a lasting, if only step-wise relaxation of the containment measures in the second quarter. The external sector is also projected to provide a positive contribution to growth, albeit less strong than previously expected as tourism may take longer to recover fully. The projection assumes that fiscal policy in 2021 will continue to support the economy with targeted interventions towards businesses and households. The slack in the economy is

⁽⁵⁾ The Council has already approved a total of €90.3 billion in financial support to 18 Member States. Member States can still submit requests to receive financial support under temporary Support to mitigate Unemployment Risks in an Emergency (SURE) which has an overall firepower of up to €100 billion.

expected to weigh on price growth, which is expected to remain mildly negative also in 2021, with a subsequent recovery in 2022.

Uncertainty surrounding the outlook remains high. Projections are subject to significant uncertainty predominately linked to the evolution of the pandemic and the success of vaccination campaign. Progress with the fight against the pandemic, both domestically but also internationally, is also critical for the recovery of the tourism industry. Uncertainty also concerns the speed of recovery of the private sector after the expiry of the support measures, which will need to be carefully designed to avoid cliff effects, which could lead to corporate distress, including bankruptcies. Weaknesses in the balance-sheet structure of the Greek corporate sector compound downside risks to the recovery. The geopolitical tensions in the region and the lingering migration crisis add further uncertainty to the macroeconomic outlook. On the upside, the Commission forecast does not incorporate the economic impact of the Recovery and Resilience Plan for Greece, the implementation of which is expected to provide a significant boost to growth.

FISCAL DEVELOPMENTS

Fiscal policy will remain accommodative in 2021 as the authorities maintain targeted support to households and businesses affected by the crisis. In response to the unfavourable evolution of the pandemic, the government decided to tighten the containment measures at the beginning of November 2020 and, more recently, to close schools and retail businesses and to impose personal mobility restrictions in certain regions including Athens and announced the prolongation of earlier fiscal measures. The total envelope of the ‘repayable advance payments’ (public support to companies affected by the pandemic, distributed in the form of loans with a conditional subsidy component) has been increased, the regular and long-term unemployment benefit has been extended and the temporary economic support to suspended wage earners has been prolonged. As the duration of the containment measures turned out to be longer than initially planned, the government also announced a number of new measures in order to support both households and affected businesses. These include a new guarantee scheme and a new loan subsidy programme, both tailored to help small and medium sized enterprises, including in particular very small/micro firms. Furthermore, affected companies will be eligible for compensation on their fixed costs in the form of a tax and social security contribution credit. Greece’s policy response has been swift since the beginning of the coronavirus outbreak, and with the abovementioned measures its overall size is expected to reach about 9.4% of GDP in 2020 and 6.5% of GDP in 2021. Overall, according to the Commission 2020 autumn forecast, the size of support measures (as a percentage of GDP) the Greek government adopted to alleviate the socio-economic impact of the coronavirus outbreak is slightly above the European Union average.

The 2021 budget, voted in early December 2020, expects the deficit monitored under enhanced surveillance to reach 3.9% of GDP in 2021. This compares with a deficit forecast of 3.4% of GDP in the Commission 2020 autumn forecast⁽⁶⁾. A full update of the fiscal forecast will be prepared in spring in the context of the assessment of the 2021 Stability

⁽⁶⁾ The Commission 2020 autumn forecast did not take into account either the economic impact of the second tightening of containment measures started in November 2020, the prolongation of fiscal measures in response to the second wave or the economic impact or, more recently, the closure of schools and retail businesses and personal mobility restrictions in certain regions including Athens. At the same time, while the budget includes the envisaged macroeconomic impact of investments under the Recovery and Resilience Facility, the Commission will evaluate such an impact only in the coming months, when the plans will be presented in sufficient detail.

Programme. To recall, the General Escape Clause will remain active in 2021. This allows for a temporary departure from the budgetary requirements, including Greece's fiscal targets monitored under enhanced surveillance, provided that this does not endanger fiscal sustainability in the medium term. The Council recommended ⁽⁷⁾ that Greece pursues, when economic conditions allow, fiscal policies aimed at achieving prudent medium-term fiscal positions and to ensure debt sustainability, while enhancing investment. The 2021 budget expects the general government debt to reach 209% in 2020 before declining to around 200% in 2021, which is broadly in line with the Commission autumn forecast.

The public finance projections are subject to considerable risks. Uncertainty about the evolution of the pandemic remains large, which translates into substantial fiscal risks as a further prolongation of the containment measures and related fiscal support, which should be both of a targeted and temporary nature, could lead to a further increase in fiscal costs. The probability of drawing on the state guarantees will increase with the duration of the crisis. Beyond the pandemic, rulings on retroactive pensions and litigation cases against the Public Real Estate Company (ETAD) continue to pose fiscal risks. On the positive side, Greece is expected to benefit greatly from the Recovery and Resilience Facility, through large-scale financial support to growth-enhancing reforms and investments, which would provide a substantial support to the economy and boost potential growth, which can facilitate achieving prudent fiscal positions.

SOVEREIGN FINANCING

Financing conditions remain favourable and the government continues holding a large cash buffer. The sovereign yield spreads have decreased further and have been hovering around 70 basis points on the 5-year tenure since mid-November 2020. Their volatility has also been subdued. The favourable financing conditions are supported also by the European Central Bank's accommodative monetary policy stance, including its Pandemic Emergency Purchase Programme. Medium and long-term debt redemption and interest payments will be moderate in 2021, amounting to around €10 billion. Greece is planning to raise €12 billion through new bond issuances, which is comparable to the amount raised in 2020. The general government's cash reserves stood around €31 billion at the end of 2020, which would be sufficient to cover the medium and long-term debt redemptions and interest payments of the general government for the next two years ⁽⁸⁾. Since the beginning of the year, the Hellenic Republic raised €3.5 billion through the issuance of a 10-year government bond in January 2021. The achieved yield was 0.81%, a historical low level for this maturity. An additional €2 billion was raised through private placements. The authorities intend to carry out a partial repayment of the loans from the International Monetary Fund, which is a welcome step that helps to reduce the foreign exchange risk and sends the right signal to the markets.

The 2020 Debt Sustainability Monitor presented a debt sustainability analysis for all Member States based on the 2020 autumn forecast ⁽⁹⁾. The baseline scenario of that

⁽⁷⁾ Council Recommendation of 20 July 2020 on the national Reform Programme of Greece and delivering a Council opinion on the 2020 Stability Programme of Greece, OJ C 282, 26.8.2020, p. 46.

⁽⁸⁾ The cash buffer account balance remained at €15.7 billion. The cash buffer account was built also through disbursements under the European Stability Mechanism programme and is dedicated to debt service. Greece may use this amount for other purposes as well, following an approval of the European Stability Mechanism's governing bodies.

⁽⁹⁾ Debt Sustainability Monitor, European Economy Institutional Paper, No. 143, February 2021.

analysis is identical to the one published in the 8th enhanced surveillance report. An updated debt sustainability analysis will be presented in the next enhanced surveillance report.

FINANCIAL SECTOR DEVELOPMENTS

Bank profitability is likely to remain under pressure as favourable liquidity conditions and significant non-recurring revenues on the trading portfolio have only partially offset increased provisioning needs. Banks have maintained ample cash buffers and a low cost of funding due to a steady upward trend in deposits coupled with accommodative monetary policy conditions. In addition, they have benefitted from extraordinary trading gains from their government bonds portfolio. However, the frontloading of provisioning to take into account the expected impact of the pandemic, among other factors, has led the banking system as a whole to post a loss after taxes in the first nine months of 2020. The profit outlook will remain challenging, and thus limiting the internal capital generation capacity. The securitisations of non-performing loans will have a positive impact on the banks' cost-of-risk and free up space in banks' balance sheets for new lending, but also entails an initial one-off capital loss and a recurring loss on net interest income. At the same time, the expiry of the moratoria may lead to further impairments due to a deterioration in asset quality.

The stock of non-performing loans has continued to decline, mainly thanks to the Hercules scheme and the temporary impact of moratoria. Non-performing loans at the end of September 2020 amounted to €58.7 billion, down by €9.8 billion from December 2019 but only €1 billion from the previous quarter. As a result, the non-performing loans ratio came down to 35.8%, which remains the highest in the euro area. The continuous improvement in 2020, despite the pandemic and the resulting drop in the number of cured loans, is mainly due to non-performing loan sales of €6.8 billion and a limited inflow of new bad loans (down by 58% year-on-year in the nine months) thanks to the moratoria in place. Loans under moratoria amounted to €20.8 billion as of November 2020, i.e. above 12% of the loan book, roughly evenly split between corporates and households. The deleveraging of non-performing loans by banks has also led to an increased role for non-bank servicers, with €33 billion of loans under management as of end-September 2020, up by 40% since the end of 2019.

As in other Member States, the expiry of the moratoria could be accompanied by a renewed deterioration in asset quality going forward. The large amount of loans under moratoria and the lacklustre track record of banks in viable loan restructurings point to a material risk for asset quality, as moratoria mostly expired at the end of 2020. This could lead to new impairments, in case provisions booked so far not fully capture the eventual impact of the pandemic on the loan book. However, the temporary instalment subsidy scheme set up by the authorities for coronavirus-affected debtors with primary residence loans (the "Gefyra" scheme) will mitigate this risk for this type of loans, which represent a large part of the retail loan portfolio. Subsidy payments under the scheme have been initiated. The authorities are setting up a similar scheme for business loans. The scheme will need to be carefully designed, including appropriate moral hazard safeguards. Moreover, the banks will try to stem any migration of loans currently under moratoria to a category of increased credit risk, that would imply higher provisioning needs, through the offering of intermediate products, allowing for a gradual restoration of payment patterns. The exact supervisory treatment and related capital cost of these products will need to be discussed with the supervisory authorities. Going forward, the planned securitisations under the Hercules scheme remain the main driver of the reduction of non-performing loans.

The support measures adopted by the authorities have further bolstered credit growth to businesses, facilitating access to credit also for smaller firms. The Covid-19 enterprise guarantee scheme and the interest subsidy scheme (TEPIX-II) operated by the Hellenic Development Bank have resulted in €4.6 billion and 2 billion, respectively, of loan disbursements to corporates and small and medium sized enterprises in 2020, contributing with approximately 40% to the total gross corporate loan flows over the year. This has resulted in the average monthly gross loan flows ⁽¹⁰⁾ more than doubling for large corporates, while increasing substantially also for small and medium-sized enterprises. This credit growth has been used by firms to mostly cover their working capital needs and build up their liquidity buffers. In terms of cost of credit, although nominal lending rates are near their historical lows for corporates, they have been on the rise since September 2020, particularly for smaller loans, reflecting increased credit risk. As for lending growth to households, it remains in negative territory and comes at a steadily higher cost.

The authorities are preparing an amendment of the governing law of the Hellenic Financial Stability Fund. The amendment will allow for the Fund to participate as a private investor in future share capital increases of the banks where it maintains a shareholding.

⁽¹⁰⁾Defined maturity loans. Source: Bank of Greece.

Commission Staff Working Document

Progress with the implementation of due specific commitments and relevant continuous commitments (*) given to the Eurogroup
 ([Annex to the Eurogroup statement, 22 June 2018](#))

Commitment	State of play and next steps
<p>(*) Fiscal. Achieve a primary surplus of 3.5% of GDP over the medium-term.</p>	<p>The 2021 budget, voted in early-December 2021, expects the deficit monitored under enhanced surveillance to reach 3.9% of GDP in 2021. This compares with a deficit forecast of 3.4% of GDP in the Commission 2020 autumn forecast. The fiscal policy setting planned for 2021 takes into account the continued application of the general escape clause in 2021. A full update of the fiscal forecast will be prepared in spring in the context of the assessment of the 2021 Stability Programme.</p>
<p>Public financial management. Complete the chart of accounts for the central administration by implementing the fund and functional classifications in the 2022 State budget by mid-2021. It is noted that the implementation of the fund classification is subject to a provision of technical assistance.</p>	<p>The functional classification is expected to be gradually implemented as of October 2021. It was agreed that a simplified version of the functional classification (1st level) would be finalised by October 2021 and released in November 2021, in time for the 2022 budget. The necessary IT specifications for both the investment and non-investment budgets will be completed by April. The full detail will be prepared in time for the 2023 budget. The European institutions invited the authorities to prepare a road map for its completion, including in the public investment budget, by April 2021 and aim for a delivery by April 2022. The functional classification will be implemented in parallel with the performance budgeting framework.</p> <p>Implementation of the Chart of Accounts in the public investment budget has seen a positive momentum. This is key for a successful completion of the accounting reform. The interoperability of the IT payment system of the public investment budget with the central IT</p>

Commitment	State of play and next steps
	<p>system is progressing. It is benefiting from technical support provided by the European Commission and is expected to be completed in the course of 2021. It was agreed that the administrative and economic classification will start to be applied on (realised) budget transactions before end-April 2021, while for planning purposes, the administrative classification and a simplified version of the economic classification will be applied only in the 2022 budget.</p> <p>The tender for the upgraded central IT payment system, which will significantly contribute to the completion of the accounting reform, is delayed. The authorities plan to launch the tender in March 2021 so that the project can start by the end of 2021. However, these delays are not expected to jeopardise the application of the above-mentioned classifications because of the existence of a parallel IT system, which could offer a temporary solution until the new advanced system is functional. Following the implementation of the accounting reform in the central administration, a plan with a timeline will be drafted by end-February 2021 for the rollout of the Chart of Accounts in the general government entities.</p>
<p>(*) Arrears.</p> <p>The authorities will implement the arrears clearance plan and avoid the accumulation of new arrears.</p> <p>Complete the implementation of reforms identified by the Hellenic Court of Auditors.</p>	<p>The stock of arrears has decreased since September 2020 but the October 2019 clearance plan will need to be updated as the December target has not been met. In December 2020, the stock of arrears was €979 million, more than €200 million below the level reported in the previous report. However, the risks noted in the 8th enhanced surveillance report in relation to the December zero target for the stock of non-pension arrears have materialised, partly due to the extraordinary circumstances posed by the pandemic. The stock of non-pension arrears was</p>

Commitment	State of play and next steps
	<p>€485 million in December. The authorities committed to update their clearance plan for non-pension arrears by March 2021 with a view to clearing them by June 2021, in consultation with the European institutions. The updated action plan will include monthly targets and additional measures, including the reinforcement of the Steering Committee with members from entities, which show a high stock of arrears and are responsible for the implementation a large number of the remaining recommendations of the Hellenic Court of Auditors (see below). Clearing the backlog of unprocessed pension claims has also suffered from coronavirus-related slippages. Their stock, about €500 million, remained broadly stable compared with the previous report. The authorities have amended their November 2020 clearance plan but reiterated their commitment to fully clear the pension-arrears by end-2021.</p> <p>With a view to preventing the creation of new arrears, a working group has been established in December with the task of simplifying the legislative framework for the conduct of fiscal procedures. Its establishment has been delayed by two months, compared to the initial date of October 2020. The working group is tasked with reforming, updating, simplifying and eventually codifying the legislative framework governing the fiscal management of the central administration. It is expected to prepare an interim report by end-March 2021, including legal proposals for the simplification of the fiscal procedures and the elimination of bottlenecks, while abiding to the principles that ensure fiscal discipline. These proposals will eventually help streamlining budget execution as well as payment and accounting processes.</p>

Commitment	State of play and next steps
	<p>The implementation of the recommendations made by the Hellenic Court of Auditors, a mid-2021 specific commitment and a crucial step towards addressing the creation of new arrears, is ongoing. The implementation of the recommendations shows overall good results with many recommendations related to modifications of the IT systems and the improvement of the human resource management already completed. A detailed progress report will be provided by the authorities by end-April 2021, including for entities that do not participate in the Steering Committee.</p> <p>A new law setting out the conceptual framework for internal control is expected to be adopted by March 2021, somewhat later than initially expected. Adoption of the law was a horizontal recommendation by the Hellenic Court of Auditors and it is also key for the sound management of the projects to be funded through the Recovery and Resilience Facility. The objective of this law is to develop a structured internal control system, in order to ensure the efficient operation of all public entities, the reliability of their reporting and their overall compliance with the legislative framework and policies. Related to this, the authorities are preparing to commence, from end-April, the evaluation of the public financial management component of the internal control framework across the public administration, the success of which depends on the strong commitment and involvement of all relevant players. This project also includes the evaluation of internal control's effectiveness. The Hellenic Court of Auditors plans to audit the internal control systems of a large number of entities in 2021, which is expected to further support the reform.</p>

Commitment	State of play and next steps
<p>Tax administration.</p> <p>Reach the agreed permanent staffing positions at the Independent Authority of Public Revenue of 12 500 by end-2019 and 13 322 by mid-2021.</p> <p>Make the end-to-end IT collection systems fully operational by mid-2021.</p>	<p>The supplementary wage grid for the Independent Authority of Public Revenue has been adopted. The European institutions encouraged the authorities to have the overall human resources reform in place by April 2021. Once the new framework is in place, it is expected to greatly facilitate the Independent Authority’s efforts to attract new staff and maintain its existing staff, thus helping it to catch up with its staffing targets. The number of staff was 11 848 at the end of 2020, which is slightly below the third quarter outturn of 11 947, partly due to higher-than-expected retirements at the end of the year.</p> <p>The end-to-end IT collection system, which benefits from Union funding, faces delays and is expected to be completed by the end of 2021. According to the initial timeline, the project would have been completed by the contractor by the end of 2020, which would have allowed its full implementation by mid-2021. However, due to contractual issues delaying the launch of the project and some more recent delays incurred due to the pandemic, the deadline for the delivery of the project by the contractor has been extended until end-2021. Once operational in 2022, it is expected that it will enable tracking tax obligations for each physical person or entity in a more integrated manner.</p>
<p>Tax policy. Greece will undertake a nationwide valuation exercise of property tax value based on market values and will update property tax values for ENFIA and other taxes fully in line with market values.</p>	<p>Progress has been made in the ENFIA valuation commitment with the completion of the first round of nationwide property valuations. The setting of the new property tax zonal values expected by March will substantially enlarge the property tax base. The authorities then plan to complete the design of a revenue-neutral reform to the ENFIA single property tax by end-April. These will be important for the 10th review and</p>

Commitment	State of play and next steps
	will allow the completion of the Eurogroup commitment with the annual ENFIA tax assessment in August 2021.
<p>(* Health care. The authorities will complete the full offsetting and collection of the clawback by June every year for the previous calendar year.</p>	<p>The clawback collection is progressing with delays. The legislation to proceed with the collection of backlogs is now mostly in place. The authorities agreed, by April, to finalise the collection of the clawbacks up to the first semester of 2020, while providing materials with more detailed information by semester on clawback collection, and to finalise the procedure for the start of the collection of the clawbacks imputed to the second semester of 2020. In addition, the authorities will adopt the ministerial decision setting the ceilings for providers for 2021.</p>
<p>Health care. Greece will ensure the rollout of the primary health care system, in particular by opening all 240 primary health care units.</p>	<p>Work on the primary health care reform was suspended due to the immediate need to focus resources on the organisation of the vaccination campaign. It was agreed to prepare an advanced draft of the legislation by end-April 2021. While efforts on the urgent need to set up and carry out the vaccination campaign are absorbing almost full capacity, the authorities are working on a new primary care model, having recently implemented a ‘pop-up’ system to encourage patient registration. Building on this progress, the authorities agreed to submit a revised draft of the primary health care legislation by the time of the next report. Successful implementation of a comprehensive network of primary health care centres also relies on adequate staffing, and the authorities are working on a revision of family doctors remuneration package. The new organisational model of health centres and further steps towards the interoperability of the e-medical record are close to completion and will</p>

Commitment	State of play and next steps
	be finalised by the next review.
<p>Health care. Achieve a share of centralised procurement in total hospital expenditure of 30%.</p>	<p>Although slowed down by the priority shift due to the pandemic, work on centralised procurement is ongoing. The re-activation of the Price Observatory and legislation on the National Centralised Health Procurement Authority (EKAPY) are key steps to achieve the 30% target by the first quarter of 2021 and significant progress has been made in this direction. It was agreed that the Price Observatory, already operational, will be fully reactivated and the legislative framework for the Authority, which is already at an advanced stage and will also include some elements of the e-health framework, will be adopted. In parallel, based on the positive results achieved so far, the authorities plan to meet the 30% target of centralised procurement (in terms of tenders launched by the time of the next review), building on the joint action of the Procurement Authority, regional authorities and the Pharmaceutical Research and Technology Company (IFET).</p>
<p>Social welfare. Complete the rollout of all three pillars of the Social Solidarity Income scheme (subsequently renamed Guaranteed Minimum Income scheme).</p>	<p>The authorities are working towards the establishment of the third pillar. Notwithstanding some delays in several of the required steps due to disruptions caused by the pandemic, the authorities remain committed to starting nationwide rollout of the third pillar in April 2021, as per the agreed timeline. Notably, work is currently underway for updating the pool of eligible participants and the contact person's network in social services, and for adjusting business processes of the implementing bodies. The completion of the third and last pillar of the Guaranteed Minimum Income scheme will allow for a systematic provision of labour market reintegration services to the beneficiaries of the guaranteed minimum</p>

Commitment	State of play and next steps
	income.
<p>Social welfare. Review the system of subsidies for local public transport.</p>	<p>The main secondary legislation setting public service compensation levels for transport operators has been adopted and the first payments to transport operators for 2020 have been carried out. The last piece of secondary legislation and some technical legal amendments to allow payments to smaller operators are underway for completion by March 2021.</p>
<p>Social welfare. Apply to all disability benefits the new approach for disability determination based on both medical and functional assessment.</p>	<p>Due to delays due to the pandemic, the pilot project for the new functionality-based disability assessment process has been delayed from March 2021 to November 2021. A detailed policy paper was finalised in December 2020, outlining the set up for the new disability assessment process in line with EU best practices. The delayed launch of the pilot project is due particularly to the severe backlog that has developed in disability assessments and current non-availability of the required medical staff. The authorities plan to complete initial preparations by March 2021 including drafting the necessary legal provisions, roadmaps, questionnaires, forms and IT specifications.</p>
<p>Social welfare. Complete the set-up of the single pension fund EFKA.</p>	<p>Despite difficulties created by the pandemic, the authorities are finalising the organisational and institutional setup of the Single Social Security Fund (e-EFKA). The authorities made progress by finalising the merging of the former Agricultural Insurance Organisation (OGA) with the former Social Insurance Institute (IKA) processes, the next step being the Employment Agency (OAED). They recently launched staff trainings to speed-up the process of pension awards and</p>

Commitment	State of play and next steps
	<p>removed IT barriers to the creation of the remaining directories. Nonetheless, further progress needs to be made for the full completion of the organisational setup of e-EFKA, which includes the definition of a timeline for the implementation of the 120 planned directories.</p>
<p>(*) Financial stability. Greece will continue to implement reforms aimed at restoring the health of the banking system, including non-performing loans resolution efforts by ensuring the continued effectiveness of the relevant legal framework (i.e. household and corporate insolvency, out-of-court workout, non-performing loans sales, e-auctions) and taking all necessary actions to this effect.</p>	<p>The entry into force of the new Insolvency Code was postponed to minimise legal risks connected with delays in IT infrastructure and the issuance of secondary legislation. The authorities are preparing, as a matter of priority in view of the next report, the secondary legislation and the necessary infrastructure to allow its full implementation in two steps, on 1 March 2021 and 1 June 2021.</p> <p>The filing of requests for the replacement of distant hearing dates for household insolvency cases by ones in the nearer future has been progressing, in line with the recently adopted provisions. The authorities adopted in the fourth quarter of 2020 legislative amendments requiring debtors to re-file their applications through an online platform. Despite the use of this new tool, meeting the target of full clearance of the backlog by the end of 2021 is subject to risks and needs to be monitored closely. The authorities granted a sixteen day extension of the first in a series of deadlines (there are different deadlines according to the grouping of cases on the basis of seniority), which expired on 31 January 2021, so as to enable lawyers to redress mistakes due to the lack of familiarity with the functioning of the e-platform. However, the clearance of the backlog has been hampered due to postponements of hearings occasioned by the closure of courts as part of containment measures since November 2020. The authorities will provide monthly updates on the progress of procedural steps, adding items as they become available (requests filed</p>

Commitment	State of play and next steps
	<p>and validated, notifications made, memoranda and rejoinders filed, appointments of judges and entries of cases in dockets, hearings held and decisions issued), detailed per court throughout Greece.</p> <p>The impact of the first set of measures aimed at enhancing the functionality and user-friendliness of the e-auctions platform has been muted as a result of a horizontal suspension of enforcement proceedings, including e-auctions during the second tightening of the containment measures. A protracted generalised freezing of all enforcement steps, including preparatory ones, may have an adverse effect on Greek banks' and servicers' efforts to accelerate non-performing loans reduction.</p> <p>Regarding the Code of Civil Procedure review, the authorities are working on the finalisation of the draft law amendments expected to be submitted to the Ministry of Justice by end-February 2021. These will include further improvements to the e-auction framework. The code is scheduled for adoption by June 2021 to enable its entry into force before the beginning of the new judicial year, in September 2021.</p> <p>The clearance of the considerable backlog of called state guarantees has fallen further behind the plan in the fourth quarter of 2020. This was partly due to administrative delays in the recruitment process of new personnel amidst the second tightening of containment measures. However, its pace is expected to accelerate in 2021.</p> <p>Following a limited amendment of the primary law on deferred tax credits, the authorities are preparing the necessary secondary legislation to ensure full operationalisation of the framework in all</p>

Commitment	State of play and next steps
	<p>cases, including resolution.</p> <p>The authorities noted that all available complementary systemic solutions for the reduction of non-performing loans are being assessed based on their costs and benefits.</p>
<p>(*) Labour markets, product markets and competitiveness.</p>	<p>The procedure for updating the statutory minimum wage, put on hold following the outbreak of the pandemic, has been further postponed and is set to resume in March 2021. The statutory minimum wage should in principle be revised annually. Due to the exceptional circumstances caused by the pandemic, the consultation process for updating the minimum that was launched in February 2020 had been suspended (initially for a period of 6 months, subsequently extended twice, for additional 3 months). The new level of the minimum wage is now expected to be determined by end-July 2021.</p>
<p>Investment licensing. Complete the investment licensing reform, and to this end fully deploy the relevant ICT.</p>	<p>The authorities intend to award the contract for the integrated ICT system by mid-March, which is a critical element of the reform. This follows from a recent decision by the administrative court to reject the request for the suspension of the tender, however the risk of further legal complications in the tendering process remains. In the meantime, the authorities continue to work with the World Bank on the mapping and gap analysis of IT systems currently in place in the public sector, to be adapted and interfaced with the new system.</p>
<p>Investment licensing. Greece will finalise inspection legislation.</p>	<p>Completing the reform in the three priority areas by end April is still in reach but will require concerted effort and tight coordination of</p>

Commitment	State of play and next steps
	<p>the high number of ministries involved. The outstanding elements in the areas of food safety, environmental protection and product safety concern the development of the enforcement management model and the review and amendment of sanctions legislation. The authorities recently adopted legislation to define the roles and responsibilities of inspecting authorities for environmental protection, whilst the respective provisions on food safety are still outstanding. Effective operationalisation of the framework is conditional to the swift and uniform deployment of the new tools by all relevant actors.</p>
<p>Investment licensing. Greece will finalise the simplification of investment licensing procedures in the agreed remaining sectors.</p>	<p>Work progresses substantially slower than expected, but the authorities pledged to accelerate work whilst at the same time ensuring high quality. The reform on the primary production sector was completed, after some delay, with the recent adoption of secondary legislation. The bill to simplify most of the remaining activities, due by end-November 2020, was only submitted for public consultation in January and its adoption is now due by end-February. The delay will have a knock-on effect on the adoption of all necessary secondary legislation initially agreed to be completed by end-April 2021, which is needed to fully reform these activities. The new agreed timeline foresees adoption of the secondary legislation in three batches (14 joint ministerial decisions in April, 15 in June and the remaining ones in early September). Further, the authorities are slightly behind schedule in drafting primary legislation to simplify the last remaining activities, but still aim to adopt this by end-April, and also adopt all related secondary legislation by early September. As a consequence, the agreed timeline for fully completing the commitment by mid-2021 will be extended to early September.</p>

Commitment	State of play and next steps
<p>Cadastre. Greece will fully establish the cadastral agency and complete 45% of cadastral mapping by end 2021, with a view to ratifying the complete cadastral mapping and forest maps by mid-2022.</p>	<p>The timeline for the completion of cadastral mapping is being further delayed, while there is mixed progress on the cadastral agency. As of today, 34% of the cadastral mapping has been completed and is in operation. The milestone of 45% will be reached by mid-2022, and 100% by December 2024. There are mainly two reasons for this delay. One is the slow declarations by citizens and the consequent extensions that were given, and the second is related to the coronavirus pandemic, which postponed many activities. Regarding the forest maps, the Ministry of Environment has issued a circular on 12 January 2021 with the uploading of the forest maps in the remaining 59 regions, completing thus the uploading of the maps for the entire country by end-February 2021.</p> <p>Regarding the full operation of the Cadastral Agency, there is substantial progress in some areas while there are delays in others. The management team has been appointed and the preparation of the corporate strategy has progressed. On the other hand, the recruitment of the migration team is still pending – the European institutions encouraged the authorities to adopt the relevant secondary legislation speedily. The integration of mortgage offices continues at the current pace of two offices per month and will be accelerated once the engagement of the migration team is completed.</p> <p>The Hellenic Cadastre has updated the Road Map for the completion of the cadastre with new milestones and revised targets. The European institutions encouraged the authorities to substantially progress regarding the forest maps and cadastre in time for the next report. The responsibility for overseeing the Hellenic Cadastre has been moved to the Ministry of</p>

Commitment	State of play and next steps
	Digital Governance.
<p>Energy. With a view to completing reforms in the energy sector, implement the measures agreed as part of the joint assessment on the NOME auction system.</p>	<p>The Commission is consulting the market on commitments proposed by the authorities, an important step towards adopting the antitrust remedy, which was an end-2020 commitment. The market consultation is expected to be finalised by end of February and should allow for the final remedy to be presented thereafter.</p>
<p>(*) HCAP. The Strategic Plan of HCAP will be implemented on a continuous basis.</p>	<p>Work progressed well with regard to the implementation of the Corporation’s strategic plan. Notably:</p> <p>(i) the authorities have engaged thoroughly with the European institutions as part of drafting the updated Ministerial Guidance, which sets out updates for the government’s general vision for the Corporation over the medium term and their expectations for the financial performance of the Corporation’s portfolio of assets. The Guidance has been finalised at the end of January. Following its issuance, the strategic plan will be updated.</p> <p>(ii) The Corporation and the state-owned enterprises have carried out the next phase of the implementation of the Coordination Mechanism, namely the completion of Statements of Commitments for state-owned enterprises, which set out the state-owned enterprises’ financial, operational and other objectives for 2020-2022. These will need to be updated when there will be greater clarity on the impact of the ongoing pandemic. In addition, the final phase of the initial implementation of the Coordination Mechanism, which will be the preparation of a performance contract setting out special public service obligations for the Athens Urban Transport Organisation (OASA), has been launched with</p>

Commitment	State of play and next steps
	<p>discussions between the authorities, the Corporation and the Athens Urban Transport Organisation in early February.</p> <p>(iii) Further, the authorities intend to proceed with work on identifying any legal impediments to the commercial operation of state-owned enterprises. A swift completion of this exercise in collaboration with the Corporation would usefully identify improvement areas and enable the next steps to be taken.</p>
<p>HCAP. Complete the review/replacement of all SOE boards.</p>	<p>The review of the boards of the state-owned enterprises has been completed, with the conclusion of the board review of the Hellenic Exhibition Organisation (HELEXPO), in December 2020. Further, a new chief executive officer was selected in the Greek Saltworks in December and was appointed in January.</p>
<p>HCAP. Complete the transfer of the Olympic Athletic Centre (OAKA) to HCAP.</p>	<p>The transfer of the Olympic Athletic Centre is seeing progress with the submission by the technical advisor of all pending required documents for the open tender process for the design contract. Further, renovation and maintenance works in various parts of the premises have been completed or are underway to enable the safe utilisation of the facilities, whereas the elaboration of a master plan for the development and commercial exploitation of the asset is under consideration by the authorities.</p>
<p>HCAP. Transfer the eligible real estate assets included in the 2018 package to the Public Real Estate Company, reflecting the May 2020</p>	<p>The evaluation and screening process is at a very advanced stage and the authorities are planning to complete the full screening by end-</p>

Commitment	State of play and next steps
ruling of the Council of State.	April.
<p>Privatisation. The Asset Development Plan will be implemented on a continuous basis.</p> <p>With a view to swiftly attracting investment to support a sustained economic recovery, complete the transactions on Hellinikon, HELPE, marina of Alimos, Egnatia, DEPA commercial, regional ports of Alexandroupolis and Kavala, AIA shares, EYDAP and EYATH.</p> <p>By mid-2021, complete the transactions on the regional ports Igoumenitsa and Kerkyra, PPC, DEPA infrastructure and Kavala underground storage.</p>	<p>The Government Pending Actions list was updated in January 2021. Progress with specific transactions since the last report has been as follows:</p> <p>Hellinikon: Progress on the pending prerequisites for the financial closing of the transaction continued over the past three months. Following the selection of the provisional preferred bidder for the award of the casino licence by the Hellenic Gaming Commission on 13 October 2020, the review procedure on supporting documents by the Hellenic Gaming Commission was completed on 12 February, whereas the Court of Audit approval is expected soon thereafter. Further, the partition of the Hellinikon site agreed in February 2020 is expected to be finalised in a binding legal document by end-February 2021. Its ratification by the Parliament is expected in March 2021. However, pending are still the decisions of the Council of State on a number of legal cases. The financial closing of the transaction is expected in the coming months.</p> <p>Marina of Alimos: The transaction was faced with significant technical issues, which were successfully resolved and the concession was financially closed on 31 December.</p> <p>Egnatia: Progress was made over the past two months towards the conclusion of this transaction. Only one bidder submitted a binding offer by the deadline of 11 December, whereas two of the pre-qualified bidders proceeded to taking legal actions against the rejection of their applications for an extension of the submission deadline. The relevant Court issued an</p>

Commitment	State of play and next steps
	<p>interim order on 28 December, according to which the two bidders' claim was valid and that extension should had been granted. Following this decision, the Board of Hellenic Republic Asset Development Fund decided on 26 January to set 1 April 2021 as the new date for the submission of binding offers. As concerns the remaining pending actions, a second cluster of toll stations was completed and put in operation in January and February, and some progress was made in relation to the required works necessary for the licensing of remaining 14 tunnels. Close monitoring will continue.</p> <p>Regional ports of Alexandroupolis and Kavala: Assessment of the investors' Expressions of Interest and the short listing of the prequalified parties for the Binding Offers Phase is expected to be concluded by end-February.</p> <p>The regional port of Igoumenitsa: The assessment of the investors' Expressions of Interest and the short listing of the prequalified parties for the Binding Offers Phase, is expected to be concluded by end-February.</p> <p>Public Gas Corporation (DEPA) Infrastructure: The Regulatory Authority for Energy approved the development plans for 2021-2025 for the three subsidiaries of DEPA Infrastructure in December and early February, providing further clarity on the framework for the operation of the distribution system operators.</p> <p>Underground natural gas storage South Kavala: The Regulatory Authority for Energy is expected to issue a decision providing clarity on the tariff-setting framework by end-February.</p>

Commitment	State of play and next steps
	<p>Some transactions had to be delayed following either a significant fall in the assets' capitalisation value or level of economic activity due to the pandemic ⁽¹¹⁾.</p>
<p>Public administration. Complete the integrated HR Management System (digital organigram for all public entities and link with single payment authority).</p>	<p>The modernisation of human resource management is progressing, with almost all public sector entities having completed their digital organigrams, which constituted an end-2020 specific commitment. By mid-January, 1 665 general government entities (90% of all entities) finalised their digital organigrams, including the vast majority of the remaining large entities with more than 20 employees, with only 13 large entities remaining. Progress towards establishing a link between the job description and jobholder has been rather limited during this reporting period, and currently stands at 47% of all posts. The authorities aim to increase the percentage to above 60% during the next reporting period, while also completing the exercise of confirming the status of each post (i.e. occupied – vacant – on hold). The authorities have taken various actions to facilitate its completion, including making it a prerequisite for the entities' participation in the mobility scheme or launching hiring procedures for new permanent staff.</p>
<p>Legal codification. In view of enhancing legal certainty and access to law through legal codification, adopt the Labour Law Code and Code of Labour Regulatory Provisions.</p>	<p>The process of labour law codification is consequent to the delay in the labour law reform (see below). In terms of legislative procedures, it is not possible to carry out a codification process while a reform of the same provisions to be codified is being discussed. The government is</p>

¹¹ This applies to the Hellenic Petroleum and the sale of 30% of Athens International Airport, as reported in the 8th enhanced surveillance report p. 17-18 and p. 67.

Commitment	State of play and next steps
	<p>expected to submit to Parliament the Labour Law Code and Code of Labour Regulatory Provisions by the third quarter of 2021.</p>
<p>Justice.</p> <p>In the context of implementing the Three-Year Action Plan on Justice, implement the electronic filing of legal documents throughout the Courts, having completed the tendering procedure.</p> <p>In the context of implementing the Three-Year Action Plan on Justice, complete phase II of the establishment of the e-justice system (OSDDY-PP).</p>	<p>The implementation of electronic filing is hampered by delays. Although mandatory electronic filing and notification of all documents filed with administrative courts was required, under a 2019 statute, as of 1 January 2020, a December 2020 amendment suspended its entry into force. Rather than setting a new fixed due date, the relevant provision stipulates that, in as far as electronic filing requires the availability of the relevant infrastructure and the provision of the necessary training to staff, it will be implemented incrementally once the relevant infrastructure has been provided and the training of staff has been completed with respect to each court concerned. The authorities provided to the European institutions a list featuring the state of play of the availability of electronic filing, covering only civil courts covered by first phase of the e-Justice project, mapping the current situation per court; they committed to submit an action plan and detailed timetable for the completion of the project. Overall, the availability of e-filing is, to a greater or lesser extent, partial and, as far as can be ascertained, mainly restricted to those courts that are covered by the first phase of the e-justice project. However, even there, the actual use of e-filing remains minimal.</p> <p>While some progress has been reported regarding the distribution of digital signatures to judges and court employees, much remains to be done. So far, 900 out of a total of 11,000 such signatures have been distributed; the Ministry of Justice expects the distribution to be fully completed by end-March 2021. Regarding the distribution of digital signatures to lawyers, given that the Athens Bar Association launched a</p>

Commitment	State of play and next steps
	<p>call for bids expiring on 29 January 2021, the provision of a certified e-signature to every legal professional in Greece, a prerequisite for e-filing, is expected to extend into the next several months.</p> <p>Work on consolidating the court-related certificates is advancing. As of January 2020 the competence for the electronic conduct of consensual divorce proceedings has been given to notaries. For the procedure to become operational a number of necessary amendments to the Civil Code are expected to be adopted by April 2021; the issuance of secondary legislation enabling its implementation will follow. Regarding the consolidated insolvency certificate, the authorities reported that it will be available to citizens upon the issuance of a circular by the Supreme Court and not later than end-March 2021.</p> <p>The authorities resolved to cancel the tendering procedure for phase II of the e-justice project and to relaunch the tender anew under the auspices of the entity responsible for carrying out the projects of the Ministry of Digital Governance. No prior notice was given to, or consultation conducted with, the European institutions before this decision, taken on 22 January 2021. The authorities committed to provide a note delineating the scope of the new tender, describing next steps and setting a timetable for the launch of the tender by end-April 2021.</p>
<p>Fight against corruption. Implement all recommendations made by the Group of States against Corruption (GRECO) by mid-2021.</p>	<p>The implementation of the recommendations is progressing but implementing them fully is likely to take place somewhat later than expected. The authorities have successfully implemented 12 of the 23 recommendations from 2015 and 2019 and plan to address the ones</p>

Commitment	State of play and next steps
	<p>that do not need change in the Constitution in the course of 2021.</p> <p>Limited progress took place regarding other important initiatives in the fight against corruption. The list of politically exposed people that have to submit an asset declaration is yet to be aligned with the updated definition of the politically exposed people. The results of the audit of the asset declaration for years 2016-2019 are expected to be released by autumn 2021. Moreover, bodies in charge of the asset declaration controls do not have access to key databases such as the one of the tax administration. The external appraisal of the National Anticorruption Plan for 2018-2021 is planned for mid-2021 and will be instrumental in sustaining the efforts to fight against corruption and ensuring the success of the Recovery and Resilience Plan.</p>

Complementary commitments undertaken by Greek authorities in May 2020

Complementary commitment	State of play and next steps
<p>Better regulation. Achieve improvements in the regulatory framework for doing business in the areas of construction permits, obtaining access to electricity, registering property, resolving insolvency, accessing credit, protecting minority investors, contracting with the government, enforcing contracts, starting a business, paying taxes, and trading across borders by mid-2021.</p>	<p>Measures recently introduced include actions to simplify the requirements for registering property and to accelerate the issuance of building permits through system interoperability initiatives. Work is on track with respect to interventions scheduled by end-March. These include the extension of the interoperability of the ‘e-adeies’ system for building permits with the fire service system, interconnecting ‘e-EFKA’ social security system with the electronic one-stop-shop for businesses (e-</p>

Complementary commitment	State of play and next steps
	OSS) to reduce the time required for private companies (IKE) to become operational, and simplifying and reducing the requirements for obtaining an electricity connection. In parallel, the authorities aim to deliver shortly expanded action plans in a number of intervention areas such as connecting to electricity, construction permits, and accessing credit. These are expected to comprise of a package of legislative actions, technological interventions, training and communication.
<p>Labour law. Improve and modernise the framework for individual labour law, including tackling the issues of highly restrictive overtime rules, unnecessary sectoral differentiation, white collar/blue collar rules, and take account of flexible and home working, as well as implement these measures through secondary legislation, by September 2020.</p>	<p>Given the need to prioritise the response to the pandemic and following the recent government reshuffle, submission of the labour law reform initially foreseen for end-2020 has been delayed. It is currently expected that the Labour Reform law will be tabled in Parliament in March and legislated in April. In the meantime, the European institutions will be consulted on the draft law.</p>
<p>Justice. Introduce an action plan for the creation of specialised court chambers for specific categories of cases to improve the delivery of justice, particularly in areas of high economic impact, and introduce the adequate legislation by mid-2020.</p>	<p>Following the decisions taken by the Athens Court of Appeal and Court of First Instance, the Thessaloniki Court of Appeal and Court of First Instance also decided to create special chambers for the same categories of cases. The Athens and Thessaloniki courts of appeal have introduced the relevant amendments to their respective internal regulations; however, no such implementation action has been taken so far by the first instance courts of Athens and Thessaloniki as a result of the pandemic; sessions of the administration formations of both courts are expected to be held by end-February 2021.</p>
<p>Justice. Enact the new Code of Judicial Staff and present a timetable for the adoption of the New Code for the Organization of Justice and</p>	<p>Work on the adoption of the new Code of Judicial Staff is progressing, with some delays. Public consultation on the draft code was</p>

Complementary commitment	State of play and next steps
the Status of Officers of the Courts by May 2020.	<p>completed on 21 January 2021. The code is currently being finalised by the Central Law-drafting Committee, in view of tabling at the Parliament by end-April 2021, later than in December 2020 noted in the previous report.</p> <p>Contrary to the information reported in the 8th enhanced surveillance report, the Code for the Organization of Justice and the Status of Officers of the Courts is expected to be further delayed as a result of the authorities' decision to appoint a new law-drafting committee with the mandate to elaborate a new draft addressing issues considered of high importance, also based on the input of technical assistance.</p>
<p>Justice. Present an action plan for the Creation of a specialised 'JustStat' unit for data collection and processing to measure and improve the performance of the judicial system by mid-2020; introduce the relevant legislation by June 2020.</p>	<p>Work on the creation of the JustStat unit is progressing on schedule. The drafting of a Presidential Decree detailing the setup and function of the unit has been completed and the draft is expected to be submitted shortly to the Council of State for the constitutionality check. Regarding the call for bids, the authorities informed the European institutions that it would be launched by end-February 2021.</p>
<p>Public administration. Strengthen the efficiency of the personnel selection system through improving the capacity of the Supreme Council for Civil Personnel Selection (ASEP), including in the areas of competition procedures, scoring classification procedures, temporary staff hiring procedures, and the Council's organisation by end-2022.</p>	<p>A law strengthening the Personnel Selection Council has been adopted by the Parliament. This constitutes a key step in modernising the selection process. It introduces new selection methods, such as psychometric and written tests. A detailed action plan that will set out how the provisions of this law, including the organisational transformation of Council, will be implemented, is expected to be completed by May 2021.</p>
<p>Public administration. Strengthen the hiring control of the public</p>	<p>The methodology for planning of temporary staff needs has been</p>

Complementary commitment	State of play and next steps
sector through setting an annual ceiling of temporary staff by end-2020, which will be applied from 2021.	completed. It aims at the rationalisation of the system and the re- definition of the temporary vs. seasonal personnel and will allow for setting an annual ceiling on temporary staff by April 2021, which will be applied as of this year.
Transport. Report on the progress of the elaboration of sustainable urban mobility plans for the main urban centres by October 2020.	The sustainable urban mobility plans have not progressed during the reporting period. The law on revising the legal framework will be submitted to Parliament shortly. Eighteen municipalities have submitted draft mobility plans, but these cannot be approved before the revision of the legal framework. On the reform of the rail sector, the steering committee that was set last October has agreed on rail projects for the period 2021-23 and is finalising the projects up to 2027. The project of the EU funded technical adviser that will assist with the reorganisation of the railway companies is expected to start in February 2021.
Management of public real estate. Draw up a holistic and coherent strategy aiming to optimise the protection, management and investment-oriented exploitation of public real estate, including all organisations involved with public real estate management, without prejudice to their mandates, by September 2020.	A working group was set up in mid-January, to determine the scope and timeline of the study, expected by end-March. The group is composed of representatives of the Ministry of Finance, the Hellenic Corporation of Assets and Participations, the Public Real Estate Company (ETAD) and university professors.
Strategic project pipeline. Fully develop a Strategic Project Pipeline of large infrastructure projects with the objective to better coordinate and monitor future public expenditures and maximise complementarities between private, public and EU funded projects by January 2021.	The establishment of a Strategic Projects Pipeline will be crucial to plan and implement public investment projects, especially for the Recovery and Resilience Facility. Draft legislative amendments for the establishment of the Strategic Projects Pipeline have been prepared and will be adopted by mid-March. The Pipeline will be governed by a high- level Steering committee, with a Task Force consisting of senior staff

Complementary commitment	State of play and next steps
	from relevant Ministries being given the responsibility for evaluating and selecting projects.
<p>Project preparation facility. Develop and fully operationalise an improved support and delivery mechanism for project preparation and implementation to ensure efficiency and quality of both public sector infrastructure projects as well as Public Private Partnerships by March 2021.</p>	<p>Draft legislative amendments that will add the mandate of the Project Preparation Facility to the Hellenic Republic Asset Development Fund are under preparation and are expected to be adopted by mid-March. It will be important to ensure that appropriate safeguards are in place so that the Fund can continue to independently exercise its existing core mandate. The timely set-up of Project Preparation Facility will be crucial to speed up the delivery of Recovery and Resilience Fund and other public investment projects. The process for recruitment of staff for the new Facility is underway and will be completed by April 2021, whilst preparations for the tendering for technical consultants have been initiated.</p>
<p>Public procurement. Adopt a new public procurement strategy for 2021–2025 by end 2020.</p>	<p>The new law on public procurement is expected to be adopted by March; its full implementation will be crucial for ensuring a smooth absorption of available financial resources and supporting the recovery. The new law aims to address the identified weaknesses of the public procurement’s legal framework (see the 8th enhanced surveillance report). The necessary secondary legislation will follow in three batches in April, May and August 2021.</p> <p>An ambitious public procurement strategy for 2021-2025, which is expected to support the green and digital transition and strengthen the fight against corruption, has been drafted and is expected to be adopted by the end of April. The delay in the adoption of the strategy compared to the initial end-2020 target is mainly due to the extension of</p>

Complementary commitment	State of play and next steps
	the public consultation phase and the time needed to assess and reflect the comments received. The strategy will start to be implemented after its adoption.
<p>E-Health. Develop an electronic Medical Health Record to streamline the use of existing electronic medical record applications and update as necessary the design and use of agreed electronic medical record standard across public (and private) healthcare institutions by end-2020.</p>	<p>Various elements of the implementation of the e-medical record are progressing, despite delays. A Ministerial Decision on broadening access to the e-medical record to a wider set of medical professions is close to completion. Work on interoperability is progressing, with a legislative element planned for February.</p>
<p>E-Health. Extend the application of the electronic prescription project (2nd phase), including through therapeutic protocols, back-end integrations, artificial intelligence driven inquiries, necessary interconnection with information systems, and enabling electronic request and access to medicine for all outpatients with chronic diseases by end-2020.</p>	<p>Progress is expected to resume after the medical emergency dissipates. Nevertheless, progress is ongoing in expanding the system of teleconsultation, which will be linked to telemedicine, with a view to eventually bringing together e-health and m-health (mobile health care).</p>
<p>Health care strategy. Develop a National strategic policy framework for healthcare by end-2020.</p>	<p>Progress is expected to resume after the medical emergency dissipates. An important element of the policy framework will be defining an anti-corruption strategy.</p>
<p>Health care planning. Map health and long-term care needs with available human and technical resources, and take measures to ensure the efficiency, sustainability, accessibility and affordability of health and long-term care services, as well as promote community-based</p>	<p>Progress is expected to resume after the medical emergency dissipates.</p>

Complementary commitment	State of play and next steps
services, by end 2020.	
<p>Education. Enhance the autonomy of higher education by strengthening the accountability and transparency framework and through the introduction of the University Council by end-2020.</p>	<p>A bill on Higher Education was adopted by Parliament on 11 February. The bill addresses the important issue of safety and security within the universities’ campuses that were suffering from illegal activities negatively affecting the educational processes. The bill also reforms the selection and entry system with the view to increasing the completion rate and the standards required for students entering universities. A minimum grade will required, there will be more focus on the preferences of the students in the selection process, a limit on the number of years in which a student has to complete his/her studies will be introduced (limiting the “eternal students” problem), and a new option will be opened towards the vocational education path. A second bill on autonomy and governance of universities will follow in April 2021.</p>
<p>Education. Improve vocational education through the establishment of the National System of Vocational Education and Training by end-2020.</p>	<p>A new law reforming vocational education and training was adopted on 17 December, thus completing the commitment. The implementation of the law started with the setting of the central council of vocational education and training and the regional committees. A key issue will be the active collaboration of the ministry of labour in particular as far as the market needs diagnostic is concerned.</p>
<p>Education. Introduce internal school-unit evaluations, institutionalise external assessment of schools, and design new curricula for all subjects across all school levels by end-2021.</p>	<p>The ministerial decision for the planning of internal and external evaluations of school units was signed on 19 January 2021. The planning had to be adjusted to the new school environment that has been affected by the pandemic. The bill on the teachers’ assessment is planned to be tabled in March 2021 and will be applicable from the next academic</p>

Complementary commitment	State of play and next steps
	year. In total 150 new curricula for general education and 388 for vocational education are under preparation and will be rolled out on a pilot basis in the academic year 2021-22.
<p>E-governance. Develop the single digital portal (gov.gr) to integrate all electronic transactions for citizens and businesses with the state and related information, unify the legal framework on digital policy, and safeguard business continuity by ensuring sufficiency of digital infrastructure mid-2021.</p>	<p>Digital public sector services are being continuously expanded, with the single digital portal now featuring some 1 100 digital services, backed by legislative initiatives to operationalise the new legal framework. The new functionalities, developed in line with the roadmap, include a new classification that allowed the integration of some 200 services offered at regional level, interoperability with citizens' service centres, and a user helpdesk. Further, the authorities presented an initial overview of secondary legislation deriving from the recently adopted Digital Code. Out of the total 84 acts of secondary legislation identified, seven have already been adopted, including the terms and requirements for remote identification of natural persons for the purpose of issuing a trust service certificate, and the technical specifications for the interoperability of registries and systems; an additional 26 acts have been prioritised by end-April.</p>
<p>E-governance. Implement the National Programme for Process Simplification in key policy areas and promote the interoperability of registries, data and IT systems to ease the administrative burden for businesses and citizens by end-2021.</p>	<p>Process simplification and digitalisation continues, among others, in the areas of business process registration, electronic delivery of court certificates, and the first phase of legal codification concerning tourism and archaeological legislation. In order to facilitate such initiatives, more than 20 web services were implemented so far, including on user authentication for public servants and data signature using digital certificates. Moreover, work is underway on the cleansing of data and matching of citizens' records across different public registries, with a view</p>

Complementary commitment	State of play and next steps
	to completing the set-up of a “master interoperability registry” by end-April. Further, the authorities delivered a short-term work plan for simplification, and expect to finalise a full action plan shortly. Key actions prioritised by end-April, include the review of public procurement processes and the financial management framework for payments, and the codification of tax legislation.
<p>Digitisation of geospatial data.</p> <p>Develop a State Infrastructures Registry to encapsulate technical and geospatial information about all public infrastructure projects to enable better planning and management of these projects, including for construction and maintenance purposes by end-2021.</p> <p>Develop an Integrated Geospatial Data Mapping tool (Single Digital Map) to increase transparency to investors concerning land use rules across Greece and reduce unpredictability in relation to investment licensing decisions by end-2021.</p>	<p>The joint tender is experiencing legal complications. The award of the contract, which was expected by April, will be delayed.</p>

EUROPEAN ECONOMY INSTITUTIONAL PAPERS SERIES

European Economy Institutional Papers series can be accessed and downloaded free of charge from the following address:

[https://ec.europa.eu/info/publications/economic-and-financial-affairs-publications_en?field_eurovoc_taxonomy_target_id_selective=All&field_core_nal_countries_tid_selective=All&field_core_date_published_value\[value\]\[year\]=All&field_core_tags_tid_i18n=22621](https://ec.europa.eu/info/publications/economic-and-financial-affairs-publications_en?field_eurovoc_taxonomy_target_id_selective=All&field_core_nal_countries_tid_selective=All&field_core_date_published_value[value][year]=All&field_core_tags_tid_i18n=22621).

Titles published before July 2015 can be accessed and downloaded free of charge from:

- http://ec.europa.eu/economy_finance/publications/european_economy/index_en.htm
(the main reports, e.g. Economic Forecasts)
- http://ec.europa.eu/economy_finance/publications/occasional_paper/index_en.htm
(the Occasional Papers)
- http://ec.europa.eu/economy_finance/publications/qr_euro_area/index_en.htm
(the Quarterly Reports on the Euro Area)

GETTING IN TOUCH WITH THE EU

In person

All over the European Union there are hundreds of Europe Direct Information Centres. You can find the address of the centre nearest you at: <http://europa.eu/contact>.

On the phone or by e-mail

Europe Direct is a service that answers your questions about the European Union. You can contact this service:

- by freephone: 00 800 6 7 8 9 10 11 (certain operators may charge for these calls),
- at the following standard number: +32 22999696 or
- by electronic mail via: <http://europa.eu/contact>.

FINDING INFORMATION ABOUT THE EU

Online

Information about the European Union in all the official languages of the EU is available on the Europa website at: <http://europa.eu>.

EU Publications

You can download or order free and priced EU publications from EU Bookshop at: <http://publications.europa.eu/bookshop>. Multiple copies of free publications may be obtained by contacting Europe Direct or your local information centre (see <http://europa.eu/contact>).

EU law and related documents

For access to legal information from the EU, including all EU law since 1951 in all the official language versions, go to EUR-Lex at: <http://eur-lex.europa.eu>.

Open data from the EU

The EU Open Data Portal (<http://data.europa.eu/euodp/en/data>) provides access to datasets from the EU. Data can be downloaded and reused for free, both for commercial and non-commercial purposes.

