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Greece, February 2022

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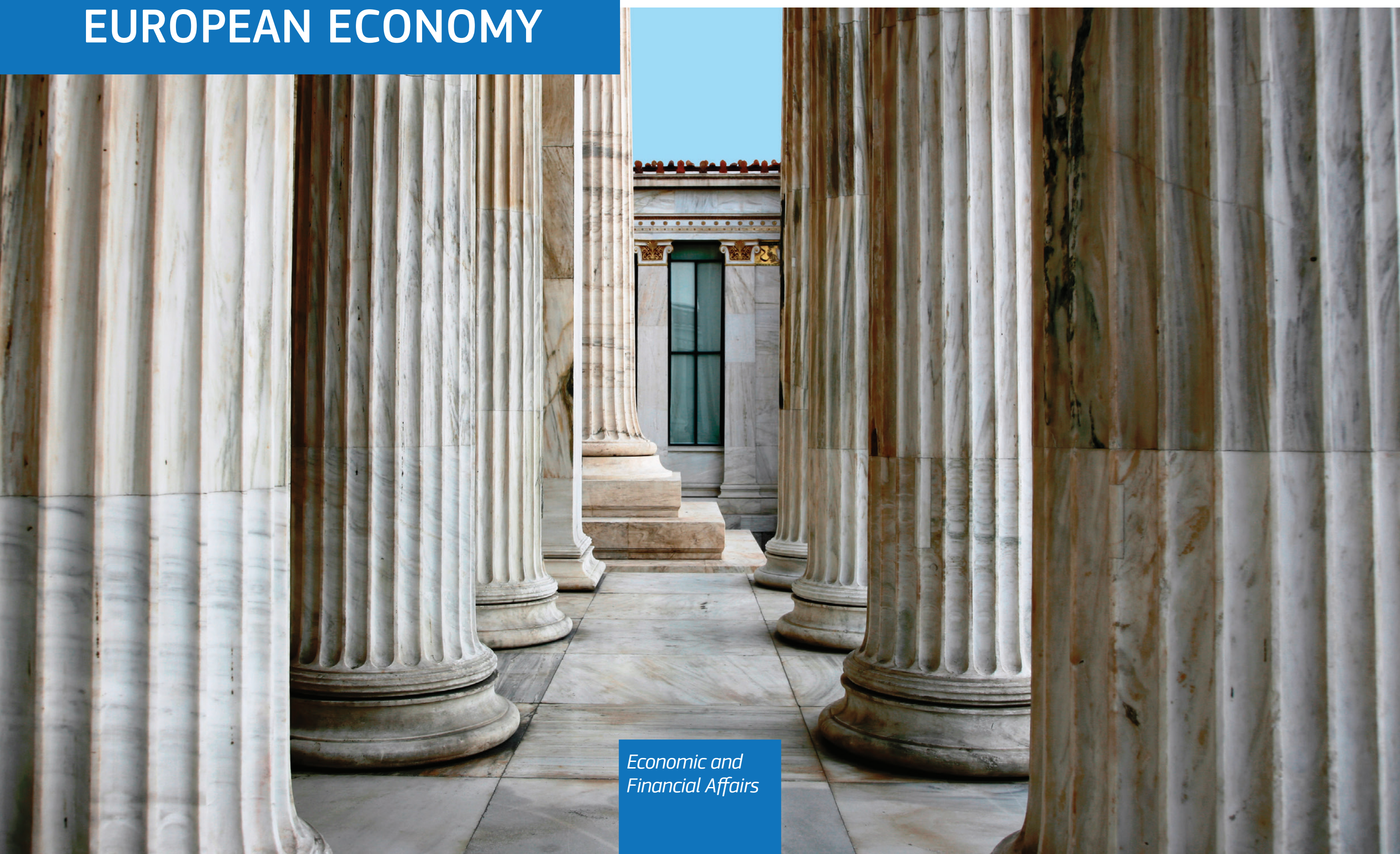
EUROPEAN ECONOMY



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European Commission
Directorate-General for Economic and Financial Affairs

Enhanced Surveillance Report – Greece, February 2022

Communication from the Commission and accompanying Commission Staff Working Document

EUROPEAN ECONOMY

Institutional Paper 170

ABBREVIATIONS

AIA: Athens International Airport
ASEP: Supreme Council for Civil Personnel Selection
DEPA: Public Gas Corporation
DSA: Debt Sustainability Analysis
EFKA: Single Social Security Fund
EIs: European Institutions
EISPRAKSIS: Information Debt Managing System
EKAPY: National Centralised Health Procurement Authority
ENFIA: Unified Property Tax
EOPYY: National Organisation for the Provision of Healthcare Services
ETAD: Public Properties Company
ETEAEP: Supplementary Pension Fund
EYATH: Thessaloniki Water Supply and Sewerage Company
EYDAP: Athens Water Supply and Sewerage Company
GDP: Gross Domestic Product
GRECO: Group of States against Corruption
HCAP: Hellenic Corporation of Assets and Participations
HELPE: Hellenic Petroleum
KW: Kilowatt
MREL: Minimum Requirement for own funds and Eligible Liabilities
OAKA: Olympic Athletic Centre of Athens
OASA: Athens Urban Transport Organization
OCW: Out-of-court Workout mechanism
OSDDY-PP: Integrated Management System for Judicial Cases for Civil and Criminal Procedure
PPC: Public Power Corporation
TAIPED: Hellenic Republic Asset Development Fund
TEPIX: Envelope for co-financing Loans to Small and Medium-sized Enterprises
TOMY: Primary Healthcare Units
UGS: Underground Natural Gas Storage
VAT: Value Added Tax

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Contributors:

Chris Allen, Giuseppe Carone, Platon Derdemezis, Fotini Dionyssopoulou, Matteo Duiella, Dolores Gloria Duran Bono, Sotirios Giannoulis, Christos Gofas, Andras Hudecz, Malai Irina, Vasileios Maroulis, Benedetta Martinelli, Vasilis Nikitas, Eleni Polemidiotou, Marie-Luise Rud, Manos Sfakianakis, Alexandros Tavoutsoglou, Andreas Trokkos, Vasiliki Vasilopoulou, Irene Vlachaki, Rainer Wichern and Alkistis Zavakou.

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

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COMMUNICATION FROM THE COMMISSION

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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 Articles 2 and 3 of 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 thirteenth enhanced surveillance report for Greece. The report is based on the findings of a mission held virtually on 25 January 2022 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 Financing Assessment 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 due up to end-2021. This report is not linked to a release of the next set of policy-contingent debt measures, which – in line with the agreed biannual schedule – could take place on the basis of the fourteenth report. The fourteenth report is expected to be published in May 2022.

([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) 2022/216 of 15 February 2022 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, held remotely, from 12 to 17 January 2022.

The commitments given by Greece to Eurogroup partners in June 2018, which are the basis for the release of additional debt relief measures, were established up to mid-2022 and thus Greece has entered the final year of this arrangement. The authorities expressed an intention to focus their efforts on delivering on outstanding commitments by mid-2022. The decisions on the release of the remaining debt relief measures as well as the ending of enhanced surveillance will need to take account of the progress towards completion of commitments as well as the wider economic policy environment.

OVERALL ASSESSMENT

Greece recovered swiftly from the pandemic and the outlook remains strong, albeit subject to high uncertainty. The economy is currently expected to have reached a high GDP growth rate of 8.5% in 2021, driven by domestic demand and the better-than-expected tourist season. The pre-pandemic level of economic activity was reached already in the third quarter of 2021. The outlook for 2022 remains strong, supported by the accommodative fiscal and monetary policy and the strong boost from the recovery and resilience plan. The spread of the new omicron variant of the coronavirus is nevertheless likely to have weighed on growth in the last quarter of 2021, but this impact is expected to largely fade out during the first quarter of 2022. Greece introduced mandatory vaccination for residents over age 60 from January 2022. Risks of additional disruptions exist, although that impact is currently expected to be rather short-lived. The recent world market price developments in energy and, in particular, electricity prices have led to a surge in consumer prices and is an additional source of uncertainty for the economy at large. While most of the emergency support measures were phased out in 2021 as planned, the government responded swiftly to the outbreak of the new coronavirus variant and the higher-than-expected inflation with new targeted support. The general government deficit is expected to substantially narrow in 2022 compared to the previous year ([5]). Labour market developments remain favourable and unemployment, which stood at 14.1% in the third quarter of 2021 (down from 17.2% in the third quarter of 2020), is set to decrease further in 2022. The at-risk-of poverty rate stood at 17.7% in 2020, down from 17.9% in 2019.

The authorities have successfully completed a further set of specific commitments:

- In the area of **public administration**, the authorities have effectively completed the preparation of job descriptions for public officials. Together with the digital organisation charts, which were put in place earlier in 2021, the job descriptions constitute a key element in the establishment of an integrated human resources management system for the Greek public administration.

- The authorities have completed the **simplification of investment licensing in the agreed sectors** by adopting the last piece of legislation for education activities. These efforts build on and complement a major reform that was initiated during the financial assistance programme by extending simplified investment licencing procedures to a number of additional economic activities ([6]).

([5]) The Commission's autumn forecast projected that the primary deficit monitored under enhanced surveillance would reach 7.6% of GDP in 2021 and 1.2% of GDP in 2022.

([6]) These were: transport-related services, social welfare, tourism, physical well-being, personal and health services, leasing of maritime leisure equipment, lifeguard training, livestock installations, aquaculture, veterinary clinics and pet breeding and trading, in addition to education activities mentioned above.

- In the area of **social welfare** reforms, the authorities have completed the administrative reorganisation of the Single Pension Fund, following the setting up and operationalisation of all required local offices, while making steady progress on the improving its IT infrastructure. The reform completes the efforts to consolidate the previously fragmented pension system, while moving towards a full digitalisation of pension system data: it thus constitutes an important step for enhancing the efficiency of the Greek pension system.

In addition, reform implementation has progressed well across a broad range of specific commitments. In particular:

- In the area of **public financial management**, the work on further refinements of the functional budgetary classification (part of the **chart of accounts** reform) is progressing according to plan and is expected to be completed by April 2022 and published in the annual update of the Medium Term Fiscal Strategy in May 2022.

- The authorities have made progress as regards the **clearance of arrears** of the general government towards the private sector. The stock of pension arrears has been reduced in line with what was envisaged in the action plan adopted in autumn 2021 and the authorities confirmed that it would be fully cleared by June 2022. After several months of stagnation, the stock of non-pensions arrears decreased markedly on the back of actions adopted by the government to bring clearance back on track. While the stock currently remains somewhat above the target set in March 2021, the authorities expect the stock of non-pension arrears to be materially cleared by February 2022. The implementation of the recommendations made by the Hellenic Court of Auditors and the simplification of fiscal procedures proceed according to plan.

- The **ENFIA property tax reform** has reached a final stage of preparation. An agreement has been reached on the detailed tax rate structure and fiscal cost of the reform based on the new market-related property tax values, which will widen the tax base and improve the fairness and economic efficiency of the property tax. This will be legislated in February 2022 to allow for the tax assessment and first payments to take place, with a minor delay, in April 2022.

- As regards **health care**, collection of clawbacks (i.e. spending over and above the legislated ceiling for public spending on pharmaceuticals and other healthcare services that is due to be collected back from pharmaceutical suppliers and healthcare providers), is progressing according to schedule for both pharmaceuticals and other services, which is welcome. Procurement activities are on track to reach the mid-2022 target of a 40% share of centralised procurement in total hospital expenditure for which the Centralised Health Procurement Authority is mandated to issue tenders.

- The authorities are advancing on the preparation of the **disability reform**, with the secondary legislation for disability determination based on both medical and functional assessment being prepared and expected to be adopted by the end of March 2022. The new assessment framework will inform in-kind benefit decisions for the provision of personal assistance to persons with disabilities.

- The General Assembly of the **Hellenic Corporation of Assets and Participations** has approved the updated Strategic Plan prepared by the Corporation, which sets out the top-level key performance indicators by which the Corporation will track its performance, as well as detailed actions for the Corporation to act as an investor and a reformer in the state-owned enterprises in its portfolio. Work has progressed well on the implementation of the Coordination Mechanism, including the approval of the first-ever performance contract for the Athens Urban Transport Organisation. The authorities are preparing a first draft of a law for the modernisation of the institutional framework for state-owned enterprises, covering indirect subsidiaries of the Corporation and other public companies outside of the Corporation's portfolio. The Council of State ruled in February 2022 the transfer of the stakes in the water utilities of Athens and Thessaloniki to the Corporation in 2018 unconstitutional. The implications of this decision are under examination.

- There has been overall good progress with **privatisation transactions** over the past months. The tender process for the Public Gas Corporation (DEPA) Infrastructure has progressed towards a final stage, and its financial closure is expected shortly. The tenders for a number of important regional ports and 'Gournes Heraklion' (development of part of the former American military base on Crete) are in progress, and the tender process for the award of a concession agreement for the Athens Ring Road (Attiki Odos) has been launched. The authorities have progressed further with the construction works on the Egnatia motorway, paving the way to the activation of the concession agreement expected by end-2022.

- The **cadastral mapping** and the transition to the full establishment of the new Hellenic Cadastre have continued to progress in the past three months. The ratification of the **forest maps**, which is currently suspended in view of the prolongation of the period for raising objections, is set to restart in May 2022. The period for raising objections was prolonged due to the impact of the wild fires of summer 2021. The authorities expect it to be substantially completed by July 2022, broadly in line with what was noted in the previous report.

- Work on the **codification of labour legislation** continues in close collaboration with the Central Codification Committee, with a first draft of the revised legislation to be presented in March 2022. The authorities committed to adopting the codified laws in May 2022.

- Implementation of **mandatory e-filing** in administrative courts is advancing and is expected to be concluded by April 2022. An e-docket platform, used to allow stakeholders to register and monitor the progress of cases through the courts, has been launched in Athens and its functionality will gradually extend across the territory of Greece, and the e-divorce procedure is now fully functional.

- The authorities continued working towards implementation of the remaining recommendations for the **fight against corruption** from the fourth evaluation round of the Group of States against Corruption (GRECO). A large part of these recommendations is conditional on the adoption of the Code for the Organisation of Justice and the Status of Officers of the Courts, which is delayed (see below). The recommendations concerning bribery of public officials were successfully implemented at the end of 2021.

Nevertheless, some specific commitments and other key policies have seen delays compared with the timelines agreed in the context of the 12th report. Notably:

- The new **IT collection system for the Independent Authority for Public Revenue** has encountered delays. This is due to delays in submitting the final complete version of the end-to-end IT collection system by the contractor, which is now scheduled for June 2022. As a result, the full operationalisation of this new IT system, which was planned for end-April 2022, is now expected by end-September 2022. However, the Independent Authority still plans that its central and decentralised services, including the directorate of collection and refund and the collection operation unit, will start using some functionalities of this system by April 2022.

- The **reform of primary health care** has seen limited progress. Alongside a final draft of the primary legislation, the authorities have now prepared draft secondary legislation, which spells out the main features of patient registration and of the gatekeeping function of general practitioners, although some key parameters of the system are still under definition. The authorities are encouraged to put in place in a timely manner sufficient incentives to contain self-referrals, while ensuring equal access to healthcare, and implementing compulsory patient registration as provided for in the existing legal framework. The authorities committed to launch public consultation on the legislation at the end of February or the beginning of March 2022, with adoption to follow shortly thereafter by the time of the 14th report. Implementation of the reform will start thereafter and will continue to be closely monitored.

- Completion of the **reform of the inspections framework** for the supervision of economic activities and product markets remains pending. Secondary legislation in the last remaining area of environmental protection has not been finalised in time for this review due to the necessary consultations to ensure constitutional conformity of the reform. The consultations have now been completed and the legislation is expected to be adopted shortly. This legislation will elaborate on the enforcement management model to facilitate a harmonised approach in the application of the enforcement system.

- The authorities adopted two pieces of secondary legislation critical for the implementation the new **public procurement law**, while the final one remains pending. The two adopted joint ministerial decisions concern the establishment of a certification framework for private-sector engineers for public works and studies. However, the adoption of the third pending joint ministerial decision, which concerns the set-up of a new legal entity to develop and maintain a new integrated IT system, has been delayed and is now expected shortly.

- The launch of the call for bids for the **integrated case management system for civil and criminal court cases** has been further delayed and is due to be launched in March 2022. The European institutions reiterated their concern about the delay and encouraged the authorities to ensure the efficient and unhindered conduct of the process going forward.

- Adoption of the new **Code for the Organisation of Justice and the Status of Officers of the Courts** has accumulated a considerable delay. The Code was initially due to enter into force by September 2021 but was then delayed to January 2022. Currently, the authorities plan to table the Code to Parliament by the end of April 2022. The authorities attribute the additional delay to redrafting and consultation constraints. Among other things, the Code is expected to contribute to alleviating the challenges faced with dealing with personal insolvency backlogs monitored under the financial policy commitment, in the sense that its revised disciplinary and promotion rules will foster a culture of stricter adherence to high professional standards amongst the members of the judiciary. Its adoption is also a precondition for addressing a significant part of the commitment to fight corruption. The authorities are strongly encouraged to proceed swiftly with the finalisation of the Code, given its fundamental importance for the efficient functioning of the justice system.

- The requisite secondary legislation for the operationalisation of the **JustStat unit of the Ministry of Justice** is expected to be adopted with a nine-month delay, by end-March 2022. The mandate of this specialised department is to collect and process data with a view to measuring and improving the performance of the judicial system.

In addition to the progress with specific commitments, the report welcomes that the authorities advanced on a number of broader structural reforms initiated in the context of enhanced surveillance. Notably:

- A list identifying deviations from the unified wage grid has been finalised as part of the authorities' efforts to strengthen central control of hiring and salary provisions in the **public administration.** Legal provisions addressing the identified weaknesses are planned to be adopted by April 2022. A needs assessment of permanent and temporary teachers in the medium- to long-term will also be completed by April 2022.

- The authorities have successfully completed the set-up of the **single digital (gov.gr) portal** backed by relevant initiatives to ensure system interoperability and robustness, in line with the guidelines and priorities set out in the National Digital Transformation Strategy and the urgent needs arising from the evolution of the pandemic.

- The authorities are continuing the preparatory work on the **Higher Education Act**, following previous welcome reforms of the education sector, but its adoption is being delayed due to the challenges presented by the pandemic. The authorities have committed to launching the public consultation in March 2022 and the adoption is currently expected in May 2022.

The reduction of non-performing loans by the banking sector – mainly through the Hercules scheme – has continued but vulnerabilities remain as net inflows ([7]) of non-performing loans continue, albeit so far at a limited rate. The non-performing loans ratio stood at 15% on a solo basis in September 2021, having declined strongly from 30.1% at end-2020 and 40.6% at end-2019 ([8]), but remains the highest in the euro area. Net inflows of non-performing loans continued but remain below initial expectations. The securitisations under the Hercules scheme will allow banks to reduce their cost-of-risk going forward and free up space in their balance sheets for new lending. While recent securitisation transactions under the Hercules scheme result in increased provisioning needs, their impact on banks' capital

([7]) The term 'net inflows' refers to the difference between the volume of new non-performing loans and the volume of previously generated non-performing loans that have been cured or whose collateral has been liquidated in a given period of time. The overall stock of non-performing loans can decrease even if net inflows are positive, if for instance some non-performing loans are removed from the stock due to securitisation transactions or outright sales.

([8]) Source: Bank of Greece.

positions was partly offset by successful capital enhancing actions. Still, banks' capital position remains one of the lowest in the euro area and entails a high share of deferred tax credits.

The implementation of agreed policy actions in the financial sector has advanced, however several policy actions remain behind schedule. Regarding the insolvency code implementation, all procedures (OCW, rehabilitation, regular and simplified insolvency proceedings and early warning mechanism) are operational, along with the corresponding e-platforms. The assignment of new hearing dates for pending household insolvency cases is picking up, according to the updates provided by the authorities, but clearance of the backlog still falls short of expectations and is not envisaged before end-2023. The authorities have taken steps to increase the processing capacity at courts and expect the provisions of the Code for the Organisation of Justice/Judges to further enhance the process. The conduct of electronic auctions continues to increase since its resumption in September 2021, while work is ongoing regarding the introduction of further enhancements. The authorities remain committed to meet the agreed final targets concerning the processing and clearance of the entire backlog of called state guarantees by mid-2023 and mid-2024, respectively. The processing of claims has accelerated but this is only partially reflected in payments. Meeting the targets set for 2022 will require a further significant increase in the processing of claims and payments. The call for the expression of interest for the sale-and-lease-back entity is expected to be launched in February 2022. An interim support scheme for vulnerable debtors with primary residences is considered by the authorities to ensure a smooth transition until the sale-and-lease-back entity commences operations, which is currently not expected before end-March 2023. The authorities are encouraged to put in place strong safeguards to counter unintended use of the scheme and mitigate legal risks and proceed swiftly with establishing the sale-and-lease-back entity so as to ensure a timely phase-out of the interim scheme. Discussions on the future of the Hellenic Financial Stability Fund have progressed well and the relevant amendment is expected to be adopted by April 2022.

The authorities announced their intention to implement on 1 May 2022 an increase in the statutory minimum wage, in consultation with social partners, with a view to alleviating the negative impact of the price increases on low-income workers. This increase would follow a modest increase of 2%, decided in July 2021 and implemented in January 2022 following a two-year freeze of the minimum wage (as a result of the pandemic), which reflected developments in wages and productivity, as well as other indicators based on data up to the first half of 2021. While accelerating the regular procedure of updating the minimum wage to mitigate the impact of the high inflation on low-income workers, the authorities committed to follow the process established in law 4172/13 for determining the minimum wage. The authorities also indicated that the potential minimum wage adjustment in May will safeguard competitiveness and have a limited fiscal cost, including as regards the public sector wage bill. The minimum wage increase resulting from these consultations is expected to be announced in April 2022 and implemented from the following month.

Overall, this report concludes that Greece has taken the necessary actions to achieve its specific commitments, despite the challenging circumstances that continue to be posed by the pandemic. The Greek authorities have also outlined a credible path leading to further substantial progress on its commitments by the time of the 14th enhanced surveillance report to be published in May 2022. The authorities delivered on specific commitments across various areas, notably as regards enhancing the efficiency of public administration, completing the administrative reorganisation of the Single Pension Fund and the simplification of investment licensing in the agreed sectors. Greece also advanced on wider structural reforms, including in particular in the area of digitalisation, and embarked on the implementation of its recovery and resilience plan ([9]). The European institutions welcome the authorities' close and constructive engagement in all areas and encourage the authorities to keep up the momentum and, where necessary, reinforce the efforts to remedy the delays partly caused by the pandemic, in particular as concerns reforms in the area of financial sector policy, primary health care, the business environment and justice, and reach the agreed targets for the clearance of arrears.

MACROECONOMIC DEVELOPMENTS

The economy sustained its growth momentum in the third quarter of 2021 on account of strong export performance and private consumption. Growth in the third quarter of 2021 (2.7% quarter-on-quarter) was also supported by a quick recovery in tourist receipts and the goods exports remained resilient, despite the bottlenecks in the value chains. Investment also contributed positively, although from a relatively low base. The recent emergence of omicron variant and the related sharpening of the containment measures in December 2021, are expected to have weighed on growth in the last quarter of 2021, but this impact is expected to largely fade out during the first quarter of 2022. Overall, real GDP is projected to have rebounded by 8.5% in 2021, with the economy reaching its pre-pandemic level of activity already in the third quarter of 2021.

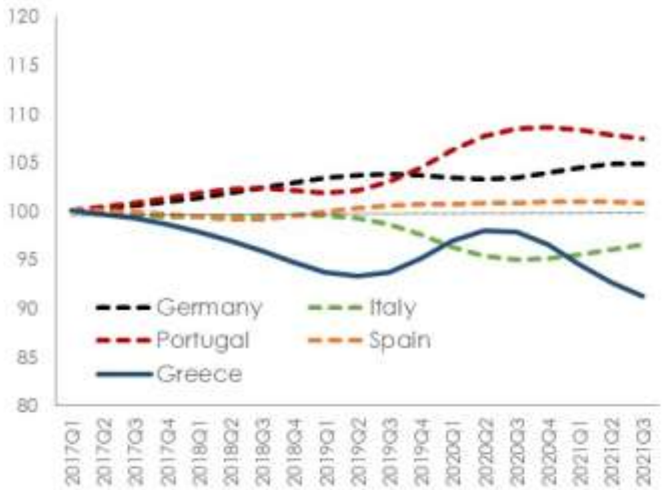
Growth in 2022 is forecast to be domestically driven, supported by the stimulus from the implementation of the investments and reforms under the Recovery and Resilience Facility. The external environment is forecast to remain supportive, as tourism is expected to recover a significant part of its losses during the pandemic, while goods exports are to extend their strong performance from last year. For the year as a whole, real GDP growth is estimated to reach 4.9% in 2022. In the third quarter of 2021, employment increased by 4.9%, up from 1.9% in the second quarter. While employment has almost reached its pre-pandemic levels, the losses in active labour force endured during the pandemic have not been fully recovered yet. Households' real disposable income is expected to rebound strongly in 2021 and continue growing in 2022. Rising oil and gas prices drove the noticeable increase in inflation over the second half of 2021, but these pressures are expected to ease later in 2022 as international prices moderate. The Commission's winter interim forecast expects inflation to peak in 2022, reaching 3.1%.

The above-mentioned announcement to increase the minimum wage in May 2022 comes in this context of rising inflation and strong recovery. According to law 4172/13, which sets out the minimum wage revision process, the level of the statutory minimum wage should be determined by taking into account the state of the economy and the evolution of growth prospects, notably developments in productivity, inflation, competitiveness, employment,

([9]) The plan was adopted by the Council on 13 July 2021 and includes reforms and investments worth EUR 17.8 billion in grants and EUR 12.7 billion in loans. The European Commission disbursed EUR 4 billion to Greece on 9 August 2021 in pre-financing, equivalent to 13% of the country's grant and loan allocation under the Recovery and Resilience Facility. On 29 December 2021, Greece submitted a request to the Commission for a disbursement of EUR 4.1 billion in financial support, assessment of which is ongoing. Greece was among the first countries to submit such a request.

unemployment, incomes and wages. Competitiveness, as measured by unit labour cost ([10]), had improved since 2018, largely on the back of a decrease in real compensation per employee, as real wages remained in check while employment increased. The temporary shock due to the pandemic in 2020 triggered a strong increase in unit labour cost as compensation per employees remained broadly unaffected due to the emergency support measures put in place by the authorities. In 2021, productivity is expected to have nearly fully recovered and its growth rate is expected to remain high, also supported by the investments implemented under Greece's Recovery and Resilience Plan. As shown in Graph 1, Greece has overall recorded significant gains in competitiveness since 2018. Despite these improvements, Greece's export base remains focused on products with a low level of technological sophistication and the exports-to-GDP ratio is low, despite recent improvements. Furthermore, its current account in cyclically adjusted terms ([11]) was in deep deficit in 2020 (-11.8% of GDP in national accounts terms) and remains well below the required level to reach a prudent net international investment position. The nominal minimum wage increased in a majority of euro area Member States (11 out of 15 Member States that have established a collective bargaining process) in 2021, ranging from 0.3% in the Netherlands to 16.3% in Latvia.

Graph 1: Real effective exchange rate based on unit labour cost (19 trading partners – euro area) (2017Q1 = 100)



Source: *European Commission*
Note: *The real effective exchange rate based on unit labour cost is defined as the ratio of the real effective exchange rate (value of currency against the weighted average of the euro area trade partners) divided by the unit labour cost. This indicator captures the drivers of persistent changes in cost competitiveness of each Member State relative to its major trading partners.*

The risks to the forecast remain elevated. Despite the better-than-expected economic outturn in the first three quarters of 2021, the evolution of the pandemic at both domestic and international levels represents a continuous source of uncertainty, for both tourist arrivals and potential further prolongation of the supply-side bottlenecks, and vulnerabilities remain. In addition, the projection expects only a limited negative impact on production from the notable pick-up in input costs, in line with the current reading of forward-looking indicators of

([10]) The unit labour cost (ULC) is defined as the ratio of the nominal compensation per employee to the real GDP per person employed.
([11]) The cyclically adjusted current account balance is defined as the current account balance adjusted for the level of the output gap in the domestic economy and its most important trade partners.

producers' sentiment. On the upside, the stock of savings accumulated by households during the pandemic could facilitate a stronger realisation of part of the purchases delayed from the previous periods, as spending opportunities for households improve. The strong performance of goods exports since the third quarter of 2020, could be indicative of structural improvements in the export base, as also evidenced by the continuous gains in export market shares. This could be a source of additional upside risks.

Table 1: Summary of main macroeconomic variables (%)

	2020	2021	2022	2023
Real GDP growth	-9.0	8.5	4.9	3.5
HICP growth	-1.3	0.6	3.1	1.1

Source: *European Commission*

FISCAL DEVELOPMENTS

The early reading of the fiscal and economic data augurs well for the fiscal outturn for 2021 as a whole. To recall, the Commission autumn forecast projected a primary deficit (as monitored under enhanced surveillance) of 7.6% of GDP for 2021 and 1.2% of GDP for 2022, and a primary surplus of 1.5% of GDP in 2023. Regarding the developments on the expenditure side in 2021, the implementation of some of the emergency support measures have been more gradual than assumed in the autumn forecast and thus payments worth around 0.1% of GDP have been shifted from 2021 to 2022. Furthermore, some measures had lower fiscal cost than anticipated, reducing the total cost for the measures in 2021 by another 0.1% of GDP. At the same time, state revenues in 2021 were higher than expected in the Commission autumn forecast by close to 1.2% of GDP. This was mostly due to high corporate income tax receipts, as the decline in corporate profitability in 2020, which determines the clearance of the 2020 tax liability due in 2021, was less severe than initially expected. Also other income taxes and VAT revenues had a higher yield than expected, mostly reflecting of the better-than-forecast macroeconomic growth. These factors were partly offset by the cost of a subsidy of EUR 250 per person to low income elderly and those receiving disability benefits provided by the government to counter the impact of increased inflation.

The vast majority of the emergency measures have been phased out by the end of 2021. In line with previous plans, only a limited set of temporary and targeted pandemic-related emergency measures will continue to support households and businesses in 2022, with a fiscal cost of about 1.7% of GDP. However, in view of the recent emergence of omicron variant some measures have been prolonged, such as labour contract suspensions, short term works scheme and hiring subsidy scheme. The health care system will also continue to receive increased support, which increases the fiscal costs for 2022 by an additional 0.15% of GDP. The repayment of the refundable advance was to start in January 2022, but due to delays in setting up the IT system repayments are expected only from the middle of 2022. This delay has a very limited fiscal impact for 2022 of about EUR 40 million. Finally, the authorities also plan to adopt a reform of the ENFIA property income tax, with a permanent fiscal cost of about 0.1% of GDP.

In response to the increased electricity prices the authorities have designed a new automatic support mechanism to alleviate cost increases to households and businesses. The scheme replaces a temporary subsidy scheme introduced in 2021 and provides a subsidy linked to the excess of current electricity prices over a given threshold. Households are eligible for this subsidy only for their first residence. The subsidy will cover 80% of the increase above the threshold for the first 150 KWh consumed monthly and 60% of the increase for the next 150 KWh. Vulnerable households will benefit from a larger subsidy covering 90% of the increase for the first 300 KWh. For enterprises, a single subsidy is planned for all categories covering 50% and 30% of the price increase in the first and the second quarter of 2022, respectively. Based on the projection of wholesale electricity prices of the Renewable Energy Sources Operator, the total volume of the subsidies might reach EUR 1 billion until July 2022 (0.5% of GDP). The subsidy scheme was calibrated to be fiscally neutral as its cost will be covered by the estimated increased revenues from the emissions trading system. The additional revenues from the emission trading system are also expected to cover the cost of a heating subsidy to alleviate the impact of the sharp increase in natural gas prices. The subsidies appear in line with the guidance provided in the Commission Communication on Tackling Rising Energy Prices ([12]), as they are temporary and will be re-assessed every month.

Fiscal risks remain high. Uncertainty about the evolution of the pandemic remains the main short-term risk factor, notably, as regards the need for further support measures and the possible activation of the state guarantees provided during the pandemic. The new electricity subsidy scheme will require close monitoring in view of its large size, in particular as regards the adequacy of the assigned revenue flows expected to cover these subsidies, while at the same time ensuring that the account of renewable energy sources will not turn into deficit. Further risks remain unchanged compared to the previous report, in particular the recent or planned financial policy arrangements, including the sale and lease-back scheme for properties owned by vulnerable debtors, may entail a deficit- and debt-increasing impact depending on their final statistical classification. Additional uncertainty is related to pending legal cases including on retroactive compensation for pension cuts and litigation cases against the Public Real Estate Company (ETAD). On the upside, the better than expected state revenues are likely to carry over for 2022 as they possibly reflect that the tax base was less affected by the crisis than initially assumed.

SOVEREIGN FINANCING

Yield spreads have increased but remain below the average levels reached in 2019 before the pandemic. In December 2021, the Governing Council of the European Central Bank decided ([13]) to discontinue net asset purchases under its pandemic emergency purchase programme at the end of March 2022 and to reinvest the principal payments from maturing securities purchased under this programme until at least the end of 2024. In this context, the Governing Council clarified that in the event of renewed market fragmentation related to the pandemic, reinvestments can be adjusted flexibly across time, asset classes and jurisdictions at any time and could include purchasing bonds issued by Greece over and above rollovers of redemptions. Despite the ongoing asset purchases of Greek government bonds by the European Central Bank, and reflecting increased risk aversion in financial markets against the backdrop of increasing uncertainty about the economic and inflation outlook, yield spreads over the

([12]) Commission Communication on Tackling rising energy prices: a toolbox for action and support, COM(2021) 660.

([13]) Combined monetary policy decisions and statement, 16 December 2021. https://www.ecb.europa.eu/press/pressconf/shared/pdf/ecb.ds211216.en.pdf

German Bund have been increasing, moving above 200 basis points on the 10-year maturity in early February 2022.

Greece conducted a successful liquidity management exercise in 2021. After the previous bond exchange concerning the so-called 'step-bonds' conducted in 2017, Greece now managed to exchange EUR 3 billion of the remaining EUR 4 billion worth of step-bonds. With this exchange the weighted average maturity of these liabilities increased from eight years to thirteen years. As some of the bond holders received cash in return for their bonds, the general government debt has been reduced by around EUR 1 billion.

New bond issuances contribute to high cash reserves. In line with the expectations based on the seasonality of budgetary revenues and expenditure and the debt amortisation schedule, cash reserves declined in the last quarter of 2021 and stood at EUR 31.6 billion in December ([14]). This is slightly higher than the level observed a year earlier. The Public Debt Management agency published its funding strategy for 2022. Based on the plan, Greece expects to raise EUR 12 billion on the open market in 2022, which is slightly lower than the amount raised in 2021. In January 2022 the implementation of this plan started by the successful issuance of a 10-year bond with the amount of EUR 3 billion, reaching a yield of 1.8%.

DEBT SUSTAINABILITY ANALYSIS

The update of the debt sustainability analysis indicates that risks remained unchanged compared to the 12th report but uncertainty remains high. The current analysis is a partial update of the one published in the 12th report. The update includes the data on the recent liquidity management exercise and the latest bond issuance while the macroeconomic, financial and fiscal variables continue to be based on the Commission 2021 autumn forecast. Short-term risks to debt sustainability remain contained, whereas risks are more significant over the longer run in the alternative scenarios. In the baseline scenario, debt decreases from 203% of GDP in 2021 to around 55% of GDP in 2060, while gross financing needs remain below 15% of GDP in the long run. In the higher risk premium scenario, debt decreases to 90% of GDP by 2060, and gross financing needs hover around 18% of GDP from the 2030s. In the low growth scenario, the debt level does not stabilise, and gross financing needs permanently surpass 20% of GDP as of 2050. The alternative scenarios show that potential increases in the interest rates over the medium-term and weaker economic growth could negatively affect debt sustainability. A full update, including macroeconomic, financial and fiscal assumptions will be presented in the next enhanced surveillance report.

([14]) The cash buffer account balance remained at EUR 15.7 billion. The cash buffer account was built also through disbursements under the third financial assistance 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.

Table 2: Main assumptions of the baseline scenario

		2021	2022	2023	2024	2030	2040	2050	2060	average 2021-2029	average 2030-2060
Assumptions	Primary balance (% of GDP)	-7.6	-1.2	1.5	2.2	2.2	2.2	2.2	2.2	0.7	2.2
	Real GDP growth	7.1	5.2	3.6	2.7	1.2	1.7	1.6	1.5	2.5	1.5
	Nominal GDP growth	7.0	6.1	4.0	3.4	3.0	3.8	3.6	3.6	3.4	3.6
	Re-financing rate (10 year maturity)	0.8	0.9	0.9	1.0	1.4	2.6	3.9	4.0	1.1	3.1
Results	Gross financing needs (% of GDP)	23.7	17.1	14.9	9.6	12.9	13.7	13.1	11.1		
	Gross goverment debt (% of GDP)	202.5	195.9	191.1	185.2	162.9	116.1	78.2	55.2		

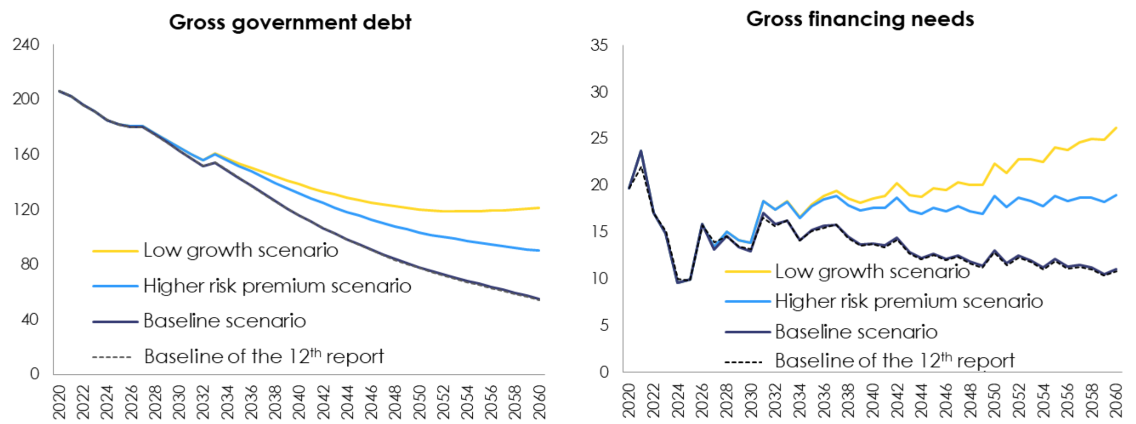
Source: *Commission services*

Table 3: Main assumptions of the scenarios

		2021	2022	2023	2024	2030	2040	2050	2060	average 2021-2029	average 2030-2060
Nominal GDP growth (%)	Baseline scenario	7.0	6.1	4.0	3.4	3.0	3.8	3.6	3.6	3.4	3.6
	Higher risk premium scenario	7.0	6.1	4.0	3.4	3.0	3.8	3.6	3.6	3.4	3.6
	Low growth scenario	7.0	6.1	4.0	3.4	3.0	3.0	3.0	3.0	3.4	3.0
Re-financing rate (%)	Baseline scenario	0.8	0.9	0.9	1.0	1.4	2.6	3.9	4.0	1.1	3.1
	Higher risk premium scenario	0.8	0.9	0.9	1.0	4.0	4.4	5.2	5.3	2.2	4.7
	Low growth scenario	0.8	0.9	0.9	1.0	4.0	4.6	5.7	6.0	2.2	5.1

Source: *Commission services*

Graph 2: Results of the debt sustainability analysis (% of GDP)

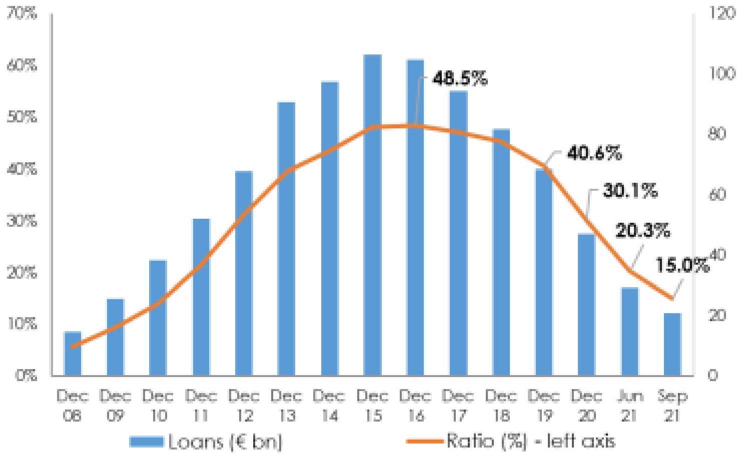


Source: *European Commission*

FINANCIAL SECTOR DEVELOPMENTS

The reduction of non-performing loans in the banking sector has continued but vulnerabilities remain and a large amount of this debt remains in the economy, burdening the private sector. The non-performing loans ratio stood at 15% on a solo basis in September 2021, having declined strongly from 30.1% at end-2020 and 40.6% at end-2019, mainly thanks to securitisation transactions under the Hercules scheme. Nonetheless, it remains the highest in the euro area. This corresponds to a reduction in the stock of non-performing loans on a solo basis from EUR 68.5 billion at end-2019 and EUR 47.2 billion at end-2020 to EUR 20.9 billion in September 2021 ([15]). It amounts to an 80.5% reduction compared to its peak level in end-March 2016 (EUR 107.2 billion). All four systemic banks are so far on track to meet the target of single-digit non-performing loans ratios at the latest by the end of 2022, with three non-performing loan securitisations of circa EUR 9.3 billion already concluded in the fourth quarter of 2021 ([16]). Further, more limited securitisation transactions and outright non-performing loan sales are anticipated in 2022 to support these efforts. As a result of this unprecedented transaction activity, a large amount of non-performing debt has exited the banks' balance sheets but remains in the hands of specialised non-bank financial institutions, which owned EUR 72.2 billion of predominantly non-performing loans as of end-September 2021. These institutions will try to maximize recoveries from these loans through a combination of restructurings and liquidations, using their previous experience with managing non-performing loans.

Graph 3: Evolution of the stock of gross non-performing loans and the non-performing loan ratio of Greek banks



Source: *Bank of Greece*
Note*: Gross non-performing loans as a share of total customer loans, for on-balance-sheet loans in accordance with European Banking Authority's definitions.*

Net inflows of non-performing loans continued albeit so far at a limited rate but risks persist. Banks are currently reporting a limited increase in the re-default rate for loans after exiting moratoria, below initial expectations. However, net inflows ([17]) of non-performing loans continued in the third quarter of 2021, at similar levels as in the first half of the year. There is a material part of the banks' loan book that still benefits from some form of support, mainly via two temporary instalment subsidy schemes set up by the authorities for performing or restructured coronavirus-affected debtors (the "Gefyra" and "Gefyra II" schemes) ([18]) and, to a lesser degree, via banks' 'step up' products offered to viable customers facing temporary difficulties and the remaining payment moratoria granted to the hospitality sector. As a result,

([15]) Source: Bank of Greece.
([16]) Gross book values of the underlying loan portfolios.
([17]) The term 'net inflows' refers to the difference between the amount of new non-performing loans and the volume of previously generated non-performing loans that have been cured or whose collateral has been liquidated in a given period of time. It does not take into account the much larger reductions of non-performing loans due to other means, such as the securitisations under the Hercules scheme, which explains the overall decrease in the stock.
([18]) As of end-December 2021, the Gefyra I scheme covers 101 562 eligible debtors, corresponding to EUR 8.5 billion of loans, predominantly performing (83.1%). For Gefyra 2, the equivalent figures are 13 888 eligible debtors, corresponding to EUR 6.8 billion of loans, mostly (81.4%) performing.

the full impact of the pandemic on the banks' asset quality is expected to materialise only in 2022.

Going forward, banks' management of loans in or at risk of default and their ability to offer viable long-term solutions is expected to gain importance, as the potential for securitisations and sales is gradually being exhausted. The swift deleveraging of denounced loans by Greek banks is changing the structure of their non-performing loan portfolios, with unlikely-to-pay loans representing an increasing share of the portfolio (33.7% as of end-June 2021 as opposed to 29.4% at end-December 2020). As a result, banks' internal credit risk management and their capacity to offer viable long-term restructurings, tailored to the specific needs of this type of loans, are expected to become a crucial element to sustain an adequate pace of non-performing loan curings ([19]). At the same time, effective collateral recovery will be crucial when successful restructuring is not feasible. The challenge for banks to rely more on viable restructuring solutions is illustrated by the fact that, out of the total amount of EUR 22.8 billion of restructured (i.e. forborne) loans in the banks' loan book at end-June 2021, 17.7% had re-defaulted and were in arrears for more than 90 days ([20]), while the percentage of re-defaulted long-term modifications within a 1-year horizon stood at relatively high levels.

The continued efforts to clean up banks' balance sheets negatively impact their profitability in the short term but open the way for profitable new lending. Higher provisioning needs due to securitisations of non-performing loans have adversely affected two significant banks. As a result, the banking sector has continued to show aggregate losses in the first nine months of 2021 with only two of the four systemic banks achieving positive results. Nevertheless, according to banks' own calculations, all recurring operations have been profitable, which indicates a gradual return to profitability, when excluding the one-off effects of efforts to move non-performing loans off the banks' balance sheets. Interest revenues will be affected by the completion of further non-performing loans securitisations ([21]) coupled with the low interest rate environment. On the cost side, the need for further debt issuances in order to meet the minimum requirement for own funds and eligible liabilities (MREL) ([22]) as per the EU legislation will put further pressure on the banks' cost of funding. The banks plan to counterbalance these costs by the implementation of business plans, which take into account the expected increased financing needs of the economy and the prospects for new lending, the reduced impairments following recent efforts to reduce non-performing loans, and the development of alternative sources of revenue by accelerating the banks' digital transformation.

The impact of the clean-up of the banks' balance sheets on their capital position was partly offset by certain successful capital enhancing actions. Banks' average Common Equity Tier 1 and Total Capital ratios stood at the end of the third quarter of 2021 at 12.5% and

([19]) I.e. the return of previously defaulted loan balances back to performing loan status.

([20]) Source: Bank of Greece, Financial Stability Report, December 2021.

([21]) Securitisations of non-performing loans lead to a recurrent loss of net interest income, as they result in the loss of the accrued interest income from the transferred non-performing loan portfolios. However, as accrued interest income is interest income earned but yet to be received, the average quality of the bank's recurrent net interest income will improve once the offloaded non-performing loans are replaced with profitable new lending.

([22]) Binding MREL targets are established by the resolution authorities on a bank-by-bank basis on the basis of the provisions of the Bank Recovery and Resolution Directive (2014/59/EU) and the Single Resolution Mechanism Regulation (806/2014/EU) and their subsequent amendments.

15% of risk-weighted assets on a consolidated basis, respectively ([23]), virtually unchanged compared to the previous quarter (12.5% and 15% respectively). However, their capital position was still lower than a year ago (14.6% and 16.3% respectively in September 2020), reflecting the cost of non-performing loan deleveraging and the phasing out of transitional prudential adjustments ([24]). The quality of the regulatory capital continues to be a concern, as deferred tax credits account for EUR 14.4 billion or 62% of total regulatory own funds in September 2021, which is an increase from 53% in December 2020. The capital position of the banks has been strengthened by two banks' successful share capital increases, which were concluded in 2021 ([25]). Further upcoming capital enhancing actions took place in the last quarter of 2021 and are expected to materialize in 2022, in order to provide support for the capital position of the four systemic banks, enabling them to continue with their ambitious non-performing loan reduction plans. While the outlook of increasing capital buffers and cleaning balance sheets seems positive, the capital position remains one of the lowest in the EU.

Provision of credit to the non-financial corporate sector has registered a mild recovery in recent months. In net terms, it has reached 3.8% in December 2021 compared to a year ago. This is a positive turn after continuous net credit growth deceleration which fell to 2.8% year-on-year in September 2021 from 6.7% in April and 10.0% in December 2020. The earlier decreasing trend was mainly driven by less net credit to large corporates mainly on the back of muted credit demand, as companies make use of precautionary liquidity buffers built up over previous quarters. Moreover, the largest non-financial corporations are partially substituting bank lending with cheaper funding through corporate bond issuances. At the same time, credit growth to small and medium enterprises continues to decelerate. Growth of credit to households remained negative but the decline was marginally smaller in December 2021 (-2.4%) due to a milder contraction in consumer loans. The weighted cost of credit to non-financial corporations decreased to 2.9% in December 2021 from 3.3% a year earlier and remains at historically low levels, substantially less than the cost of credit for unincorporated businesses or households (4.6% and 4.7% respectively). The Hellenic Development Bank launched five new financing schemes in 2021, mainly targeted to support small and medium-sized enterprises but they are significantly smaller in size compared to COVID-19 enterprise guarantee fund and TEPIX II schemes, which are almost exhausted. In 2022 and beyond, a large support for credit expansion to non-financial corporations is expected to come from projects financed by Greece's recovery and resilience plan.

Discussions progressed well on the future of the Hellenic Financial Stability Fund. The reform of the Fund's legal framework is expected to focus on the duration, governance, divestment strategy and special rights of the Fund. Adoption of the legal amendment is now expected to take place in the coming months and will be reported on in the 14th report. The Hellenic Financial Stability Fund has also participated in the share capital increase of a less-significant institution where it already had a majority stake, which was a result of the implementation of the Greek legislation for deferred tax assets. The bank has successfully

([23]) Source: European Central Bank Consolidated Banking Data

([24]) These transitional arrangements refer to the phasing in of the new accounting standards on impairments of financial assets and the implementation of new rules leading banks to more quickly write down non-performing exposures, according to Regulation (EU) 2019/630 amending Regulation (EU) No 575/2013 and relevant supervisory guidance.

([25]) Share capital increases were concluded by two systemic banks in early May and early July. Third quarter figures do not reflect yet a share capital increase undertaken by a less-significant bank in December 2021.

performed a share capital increase, which aims to be the first step in the bank's transformation and development. The Fund has reduced its previous shareholding to allow the participation of private investors and has entered, for the first time, into a shareholder agreement with private investors on the terms concerning the operations and the business plan of the bank as well as its implementation.

Commission Staff Working Document

EUROPEAN
COMMISSION

Brussels, 23 February 2022
SWD(2022) 50 final

COMMISSION STAFF WORKING DOCUMENT

Enhanced Surveillance Report - Greece, February 2022

Accompanying the document

COMMUNICATION FROM THE COMMISSION

Enhanced Surveillance Update - Greece, February 2022

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
(*) Fiscal. Achieve a primary surplus of 3.5% of GDP over the medium-term.	**The 2022 budget, voted in December 2021, expects the deficit monitored under enhanced surveillance to reach 1.2% of GDP in 2022, which is aligned with Commission 2021 autumn forecast**. The fiscal policy setting planned for 2022 takes into account the continued application of the general escape clause in 2022. The General Escape Clause 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. A full update of the fiscal forecast will be prepared in spring in the context of the assessment of the 2022 Stability Programme.
Public financial management. Extend the Chart of Accounts reform to General Government entities by mid-2022.	**The work on developing the 2nd level of functional classification (mid-2022 specific commitment) is ongoing.** It is expected to be finalised by end of April and published in the annual update of the Medium Term Fiscal Strategy. The development of the 2nd level of functional classification is assisted by a working group consisted of representatives from Hellenic Statistical Authority, Ministry of Finance and Ministry of Development and Investment.
(*) Arrears. The authorities will implement the arrears clearance plan and avoid the accumulation of new arrears. Complete the implementation of reforms identified by the Hellenic Court of Auditors.	**The stock of non-pension arrears has decreased significantly since the last report but remained above the target**. In December 2021, the stock of non-pension arrears amounted to €238 million, down by €316 million compared to its September level. The gap to the December target set in the March 2021 clearance plan narrowed to €73 million. The decrease can mainly be attributed to the actions undertaken in the previous period to accelerate the clearance of arrears. In particular, the capital increase to support public entities in the defence sector and payments to public transport companies in relation to the conduct of public sector obligations

Commitment	State of play and next steps
	increased their liquidity and resulted in a significant decrease of their arrears. In addition, the envisaged measures in the sector of public hospitals contributed to the clearance of the biggest part of hospitals' arrears. On the other hand, the results from the application of the mechanism for the prevention of arrears accumulation in local governments are yet to be shown. Some payments already took place in December 2021 but the full impact is expected in the coming months in view of the time lag observed between the activation of the mechanism and the actual clearance of arrears. The non-pension arrears are expected to be materially cleared by end of February 2022. **The clearance of pension arrears also shows some positive developments**. The stock of pension arrears in December amounted to €267 million, down by €93 million compared to the stock in September. This translates to a limited deviation from the target set in October 2021 of €17 million. The observed improvement is a result of a number of factors, including the implementation of the IT system for the processing of pension claims ('Atlas'), the introduction of automated procedures in the pension processing workflow, and the use of smart Business Intelligence tools and analytics. On the other hand, some other initiatives are behind schedule. This concerns in particular the efforts to involve in certified lawyers and accountants into the processing of pensions, where delays occurred partly due to lower-than-expected rates of passing qualification tests and the belated delivery of software automations, which would allow new types of pensions claims (i.e. self-employed, public sector, etc.) to be processed by the IT system. The authorities reiterated their intention to fully clear the pension arrears by mid-2022, as agreed in the twelfth report. **The implementation of the recommendations made by the Hellenic Court of Auditors and the simplification of fiscal procedures are on track**. The vast majority of reforms identified by the Hellenic Court of

Commitment	State of play and next steps
	Auditors have already been completed and the authorities continue their efforts to finalise the remaining ones. Notably, the authorities have amended the regulatory framework for the fixed expenses, which allows for the simplification of payment and control procedures and will help the prevention of new arrears. In addition, the authorities have prepared the Ministerial decision which simplifies the framework of the multi-annual obligations and is expected to be adopted with a delay, by end of February.
Tax administration. Make the end-to-end IT collection systems fully operational.	**The new IT collection system for the Independent Authority for Public Revenue has encountered delays due to the contractor not submitting a final version of all parts of the IT system on time, as a result the full operationalisation is now expected to take place by September 2022.** Some progress has been made, as the Independent Authority, in cooperation with the Ministry of Digital Governance, has set up an IT platform that will host the new IT system ('EISPRAKSIS'). While its full operationalisation was planned by end-April 2022, the Independent Authority still expects a number of its central and special decentralised services, including the directorate of collection and refund, the collection operation unit and the Attica debt collection centre, to start using its core functions (e.g. debtor and debt management, risk analysis and management of insolvency procedures) by then. The final submission by the contractor of the complete IT system is scheduled for end- June 2022. By end-September 2022, the complete IT system will be fully operational and utilised throughout the Independent Authority, including its local tax offices with a collection function, with some 1 100 staff having received training and been assigned as users.
Tax policy.	**The authorities have reached the final stage of preparation of the ENFIA property tax reform allowing for the 2022 bills to be sent out in April 2022.** The application of the new market-related property tax values will widen the tax base and improve the fairness and economic

Commitment	State of play and next steps
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.	efficiency of the property tax. An agreement has been reached on the detailed tax rate structure and fiscal cost of the reform that will be legislated in February 2022. Owing to technical factors, the tax assessment will take place with a minor delay in April 2022.
(*) Health care. The authorities will complete the full offsetting and collection of the clawback by June every year for the previous calendar year.	**The collection of the 2020 clawback is progressing according to schedule for pharmaceuticals and providers.** The administrative procedure for the collection of the 2020 clawback for pharmaceuticals and for providers has been completed, fulfilling the milestones for the current review. For pharmaceuticals, the authorities have finalised the instalment plan for 2020, which has been notified to the companies. For providers, the instalment schemes were finalised during January. A total of €35 millions is not covered by instalments and will be collected in one single payment. **There is overall good progress in both categories for 2021 and the new collection methodology for providers is proving effective.** The calculation of the pharmaceuticals clawback for the first semester of 2021 was completed timely and the quantification stands at €425 million, rather stable compared to the same semester of the previous year (€435 million). The new methodology implemented in 2021 for the collection of the providers clawback is delivering good results, although with some delays. The target of 50% of the 2021 to be collected by the time of the current review will be fully met only in March. However, considering the delay in the introduction of this new system, progress so far can be considered satisfactory.
Health care. Greece will ensure the rollout of the primary health care system, in particular by opening all 240 primary health care units.	**The planned adoption of the revised legislative framework for primary health care was postponed to April 2022 and also the openings of the additional primary healthcare units (TOMY) is delayed beyond the current review.** The reform envisages patient registration and gatekeeping based on a system of financial incentives, whereby patients who are not

Commitment	State of play and next steps
	registered with a family doctor or do not follow the referral pathway would bear increased costs. Providers would be reimbursed per registered patient based on age-band-specific coefficients reflecting the expected intensity of care required. The model may also envisage means-tested entry fees into the primary health care system. Lastly, new contracts for family doctors contracted by the Single Healthcare Fund (EOPYY) will be implemented as part of the package. There are delays in the planned opening of the 60 additional primary healthcare units, which shifts beyond the current review. **Some key parameters of the system are still under definition.** The outcome of the implementation of this model hinges on elements such as the size of the financial incentives and on the compulsory registration of the whole population, as limited cost differences between self-referring and being referred by a family doctor may not succeed in discouraging self-referrals. There is also an intrinsic risk to equality in access to healthcare, linked to the implementation of a system based on financial incentives. Similarly, the element of entry fees may represent a barrier to access, depending on its final design. Lastly, the stock of public family doctors is still inadequate and its improvement may be affected by the revised contracts for family doctors contracted by the Single Healthcare Fund.
Health care. Achieve a 40% share of centralised procurement in total hospital expenditure by mid-2022.	**The procurement activity by the centralised health procurement body EKAPY is on track for the 40% target to be achieved by end-April 2022.** Following the adoption of the revised legislative framework in December of last year, the centralised health procurement body EKAPY is progressing towards the recruitment of procurement specialists making use of the increased flexibility provided by the new law. EKAPY will meet its staffing needs through a combination of fixed-term contracts, of permanent positions and secondments. According to the existing timeline of procurements, the objective to reach a value of at least €320 million by end-

Commitment	State of play and next steps
	April 2022 in terms of completed tenders (i.e. signed contracts) appears within reach. This amount represents the 40% of total hospital spending that can be subject to centralised procurement, i.e. €800 million. In fact, current estimates suggest that contracts of a value between €350 million and €370 million could be signed by mid-2022, which may however include some from tenders launched in 2021.
Social welfare. Apply to all disability benefits the new approach for disability determination based on both medical and functional assessment.	**Secondary legislation is expected to be adopted by end-March 2022 allowing the application of a new disability assessment approach for granting personal assistance benefits based on both medical and functional criteria.** A Joint Ministerial Decision by the Ministers of Labour and Social Affairs and Health setting out the new disability assessment approach to apply for social assistance benefits in April 2022 is underway and is expected to be adopted by the end of March. At operation level, an agreement has been reached between the Ministry of Labour and Social Affairs and the Ministry of Digital Governance's TA framework contract 'Information Society S.A.' that will undertake the implementation of the personal assistance scheme.
Social welfare. Complete the set-up of the single pension fund EFKA.	**The authorities completed the setup of the Single Pension Fund (EFKA), fulfilling the commitment under enhanced surveillance.** The completion of the setup of the Single Pension Fund was a key commitment to the Eurogroup monitored under enhanced surveillance. The objective of the reform was to improve the efficiency of the pension system and further reduce its administrative costs. To this end, the Supplementary Pension Fund (ETEAEP) and EFKA were merged into e-EFKA in 2020. In parallel, the authorities pursued an ambitious consolidation and digitalisation of all pension system data to speed-up the processing of pension applications. Important steps in this consolidation process included the operational integration of the funds into e-EFKA and the setting up of a new structure for the local offices of e-EFKA. In June 2021, the authorities provided a

Commitment	State of play and next steps
	timeline for the opening of the network of local offices, which would mark the completion of the organizational setup, while the finalisation of the IT infrastructure is progressing well. While originally planned for the first quarter of 2022, the opening of local units was finalized ahead of schedule in December 2021. Over and above the efforts envisaged under enhanced surveillance, the authorities recently put into public consultation a bill that is expected to further support the operation of e-EFKA. The bill envisages incentives for increasing productivity of staff, while strengthening the accountability of its employees and providing more flexible recruitment and procurement rules.
(*) 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. Greece will implement the comprehensive action plan on household insolvency with the objective to eliminate the backlog of cases, including the process of pending applications. The decision on liquidation or extension of the mandate for the Hellenic Financial Stability Fund will be taken by mid-2022. Greece will continue the relaxation of capital controls in line with the published roadmap.	**The functioning of the early warning platform completed the electronic infrastructure of the new insolvency framework and only the set-up of the sale and lease-back mechanism is still pending.** All the necessary secondary legislation has been adopted, with the exception of five ministerial decisions that concern the sale and lease-back mechanism. The early warning platform became fully operational at the start of December, complementing the existing platforms for the debt restructuring of medium and large businesses, the bankruptcy of households and businesses, the out-of-court workout, the insolvency registry and the verification of the status of vulnerable debtors. The out-of-court workout scheme attracted initially strong interest by debtors, which was followed by a more moderate but constant flow of new application initiations in the platform. However, out of the 43 795 applications initiated as of end-December 2021, only 393 applications or 0.9% of those initiated had been submitted and not recalled by that date, while another 28 141 applicants are waiting for the collection of data from institutional creditors. As a response to this low percentage of applications completed so far, the authorities are preparing a new round of workshops, including dedicated in-depth training sessions to familiarise users with the workings of the platform. In parallel,

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	the authorities intend to engage in March in a dialogue with stakeholders on the initial results from the implementation of the new framework. **The concessionary process for the setup of the sale-and-lease-back entity is expected to be launched in February, following past delays.** According to the latest update from the authorities, the final step following a three-stage concessionary process, i.e. the ratification of the conclusion of the selection procedure by the parliament, is now not expected to be taken earlier than mid-February 2023, while the full operationalisation of the new entity is not expected before end-March 2023. The call for the expression of interest is expected to be launched in February 2022 and is due to be completed, with the preselection of eligible candidates, by mid-April 2022, to be followed by the conduct of the competitive dialogue and the bidding phase. **An interim scheme is being considered by the authorities to ensure a smooth transition until the sale-and-lease-back entity commences operations and mitigate litigation risks.** The Insolvency Code provides for the protection of vulnerable debtors under the sale-and-lease-back mechanism. In view of the delays with the establishment of the mechanism, an interim scheme is being designed, according to which the state will provide financial support to vulnerable debtors until the initiation of operation of the sale-and-lease-back entity or for a maximum period of 15 months. This financial support will take the form of a partial state subsidy on the servicing of loans, encumbered with the primary residence of vulnerable debtors that are certified as such under the conditions of the new insolvency code and have been declared bankrupt, or whose primary residence is about to be auctioned. Putting in place strong safeguards will be instrumental in countering unintended use of the scheme and mitigate legal risks.

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	The assignment of new hearing dates for pending household insolvency cases is picking up but clearance of the backlog still falls short of expectations and is not envisaged before end-2023. The authorities have taken steps to increase processing capacity. The latest set of data received by the authorities confirm that the processing of household insolvency cases is advancing, effectively filtering out ineligible applications, albeit at a slower pace than initially expected ([26]). Given that, apart from pandemic-related reasons, the high number of unprocessed applications are mainly a result of the limited case-processing capacity of courts, the authorities reported the secondment of 14 judges to courts facing difficulties, of whom twelve have taken up their posts, with the remaining two expected to follow suit in March and April 2022 respectively. Moreover, in order to further accelerate the proceedings by appointing hearing dates as close to the present as possible, the authorities confirmed that the adoption of amendments to the internal working regulations of courts facing the most acute situation is being considered, with a view to allowing the inscription of up to 60 household insolvency cases in the daily docket instead of the current maximum of 30 cases. **The recent entry into force of numerous revisions of the Code of Civil Procedure is expected to have a positive impact on the case-processing capacity in general and increase the efficiency of enforcement proceedings.** Given that the amendments to the Code entered into force on 1 January 2022, it will not be possible to assess their impact before the end of the current judicial year in mid-June 2022. Regarding enforcement

([26]) Out of the 49 031 submitted applications, 43 104 were validated by 31 December 2021 (representing a 4% increase since November 2021) and 15 703, or 32% of the total, were assigned a new hearing date (representing a 20% increase since November 2021), while 32 820 cases are yet to receive a hearing date. Of all cases that have received a hearing date, 14 562 (92.7%) are scheduled for a hearing within 2022, 1 081 (6.9%) within 2023 and 60 (0.4%) up to September 2024. In addition to these cases, the authorities have also reported 1 245 instances where only an interlocutory decision (i.e. postponing the issuance of a final decision for need of additional evidence) has been issued by the court and a new hearing is still pending, with 945 cases planned to be heard in 2022, 259 in 2023 and 41 in 2024.

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	proceedings, the procedure for the automatic adjustment of the reserve price in the context of the conduct of auctions should eliminate significant delays in the relevant proceedings. The authorities committed to take statistical surveys of the relevant procedural streams and report to the EIs in the course of the next enhanced surveillance mission. **The conduct of auctions continues to increase since its resumption in September 2021.** According to the aggregated data for 2021 provided by the authorities, out of the 23 073 auctions planned, 11 318 (49%) were concluded, while 11 658 (50.5%) were suspended. A very small number of auctions was cancelled. In the case of successful e-auctions, the majority of the auctioned properties still end up in the banks' and servicers' real estate property portfolios, despite some signs of increased interest from third parties. **Work is advancing regarding the introduction of enhancements to the e-auctions platform and the adoption of legislation is planned to remove perceived legal impediments.** The two working groups referred to in the previous two enhanced surveillance reports were merged and the relevant proposals will be submitted to the Ministry of Justice on a date yet to be defined by the authorities. Finally, the authorities reported being in the process of adopting legislation to expressly expand the territorial scope for the conduct of auctions by Athens notaries in the neighbouring area of Piraeus, thus removing a perceived impediment to such schedulings; the relevant provision is expected to be adopted by end-March 2022. **The authorities remain committed to meet the agreed targets concerning the processing and clearance of the backlog of called state guarantees by mid-2023 and mid-2024, respectively.** The revised action plan of the authorities envisages the full examination of accumulated called loan guarantees by the third quarter of 2022 for corporate claims and second quarter 2023 for natural persons' claims, followed by the

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	completion of all payments by the second quarter 2024. There was a material increase in the number of claims examined and the value of expected payments in fourth quarters 2021, but the rate of increase was lower than expected. Moreover, while the processing of claims has accelerated, this is only partially reflected in actual payments, resulting in regular revisions to the intermediate quarterly targets. Meeting the set targets for 2022 will require almost a threefold increase in the claims examined per quarter compared to what was achieved in the fourth quarter 2021 and a more than commensurate increase in payments. This increase will depend on the smooth execution of planned recruitment and training of the additional 35 employees, which is not expected to be completed before the end of the first quarter of 2022. The authorities have committed to provide monthly updates on the pace of clearance and will assess if further corrective actions would be required. **Discussions progressed well on the future of the Hellenic Financial Stability Fund.** The reform of the Fund's legal framework is expected to focus on the duration, governance, divestment strategy and special rights of the Fund. Adoption of the legal amendment is now expected to take place in the coming months and will be reported on in the 14th report.
(*) Labour market. Greece will safeguard competitiveness through an annual update of the minimum wage in line with the provisions of Law 4172/2013.	**Following the 2% increase in the gross statutory minimum wage that came into effect on 1 January 2022, discussions are underway for a possible second adjustment of its level in May 2022 in light of the recent price hikes.** Secondary legislation setting out the new gross statutory minimum wage level from 1 January 2022 was adopted on 27 December. The new level brings about a 2% increase compared to its level on 1 January 2019 when it was last changed (e.g. from €650 to €663 per month on a 14-month basis or €773.5 per month on a 12-month basis for workers of up to three years of work experience). A possible second increase in the

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	gross statutory minimum wage is expected to take place in May 2022 following an amendment of Law 4172/2013 that sets out the relevant revision process. The legal amendment shortens the timeline of the consultation process that will apply in 2022 only (from February-July to January-April) allowing for any change in the minimum wage to take place already on 1 May 2022. The process itself and its various steps, including the established consultations with research, scientific and social partners and the involvement of an independent Committee of economic experts have remained unchanged. See the section on macroeconomic developments for further assessment.
Investment licensing. Greece will finalise inspection legislation.	**Secondary legislation for the inspection reform in the last remaining area of environmental protection has not been finalised in time for this review but is expected to be adopted shortly.** The authorities are finalising secondary legislation to enable the activation of the enforcement management model, which is necessary to facilitate a harmonised approach in the application of enforcement. Adoption of this last piece of legislation, which has been delayed due to the necessary consultations to ensure constitutional conformity of the reform, is now expected shortly, as the consultations have recently been completed. This will mark the completion of the environmental inspections reform and the commitment.
Investment licensing. Greece will finalise the simplification of investment licensing procedures in the agreed remaining sectors.	**The authorities successfully completed the commitment to finalise the simplification of investment licensing in the agreed sectors.** The authorities completed the last step through the adoption of the secondary legislation for the simplification of licensing procedures for education activities, i.e. private institutes for vocational training, colleges, private tutoring centres and language centres. Completing the technical setup of the new simplified processes for all recently reformed activities would allow for a swift implementation of the simplified procedures. This reform has led to streamlined licensing requirements and has reduced the extent of

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	ex-ante control currently imposed for several economic activities on the basis of a risk-assessment approach. In addition to the abovementioned activities related to education, the reform covered the areas of transport and transport-related services, social welfare, tourism, physical well-being, personal and health services, leasing of maritime leisure equipment, lifeguard training, livestock installations, aquaculture, veterinary clinics and pet breeding and trading. With support from the EU's Recovery and Resilience Facility, the reform will be further extended to new economic activities, including canteens, internet rooms, organization of conventions and trade shows, child day-care activities, social care housing facilities for the elderly and disabled, tourist ports and ski resorts. A new licensing framework will also be developed in line with the principles of the reform for non-therapeutic spas and massage centres, artificial tanning units, and storage of boats in land areas.
Cadastre. Greece will fully establish the cadastral agency and complete 45% of cadastral mapping, with a view to ratifying the complete cadastral mapping and forest maps.	**The cadastral mapping and the transition to the full establishment of the Hellenic Cadastre continued to progress in the past three months.** The tender for the digitalization of the mortgage offices has been launched and offers were received on 11 January 2022. The collection of property rights has reached 84% of the total property rights of the country. Out of these, 35% are in operating cadastre and 19% in public display, which means that 54% of the country's total property rights are at the stage of public consultation or at a later stage. It is expected that 60% of total property rights will be in operation or publicly displayed (uploaded) by end-April 2022. This figure will reach 71% in October 2022. **The ratification of the last 50% of forest maps will start in May 2022 and will be completed by July 2022.** About 50% of the country has ratified maps; another 45% of the maps were uploaded for public consultation (for the citizens to detect errors and raise objections) in February 2021. These maps were due to be ratified by April 2022. The

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	authorities have granted an extension of the objections period of four additional months in October 2021. The extension was justified by the impact of the wild fires of summer 2021 which destroyed 130 000 ha of forest land and stretched the capacity of the forest services which additionally triggered a major reorganisation of the services. According to the revised plan, it is expected that by July 2022, 95% of the forest maps would be ratified and 96% would be achieved by October 2022. The ratification of the forest maps is necessary for the completion of the cadastral mapping. **Regarding the transition to the new entity, 9 cadastral offices (out of 17) and 38 branches (out of 75) have opened and the corresponding mortgage offices have been closed.** Opening of new offices continues at a rate of two per month and it is estimated that by April 2022, 55-57 cadastral offices and branches will be in operation. However, the rate of further openings may be affected by a lack of managerial staff. Recruitment of 28 specialists for the positions of Heads of Cadastral offices was launched in January 2022 through the High Council for Selection of Staff (ASEP). The recruitment process is expected to last about a year, which could affect the timely completion of the transition.
(*) Hellenic Corporation of Assets and Participations (HCAP). The Strategic Plan of HCAP will be implemented on a continuous basis.	**The strategic plan was approved by the General Assembly on 31 January 2022 and started to be implemented by the Corporation.** The Plan sets out the top-level key performance indicators by which the Corporation will track its performance, as well as detailed actions for the Corporation to act as an investor and a reformer in the state-owned enterprises in its portfolio. Within the framework of the enhanced engagement of the Corporation in its subsidiaries, it is planning to monitor closely the alignment of the business plans of the subsidiaries to the Strategic Plan, including the close monitoring of the set for each state-owned enterprise key performance indicators. Key for improving the

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	performance of the state-owned enterprises under the Corporation is the adoption of a set of changes that are needed to modernise the legal framework applicable to state-owned enterprises. The necessary changes are set out in the Strategic Plan. They include enabling state-owned enterprises' boards to exercise the typical responsibilities of public limited companies (*sociétés anonymes)*, including in relation to staffing and internal organisation, as well as strengthening internal controls and utilising synergies. The changes are expected to be reflected in the forthcoming legislation setting out broader modernisation of the legal framework applicable to state-owned enterprises (see dedicated paragraph below). **Shortly before the closure of this report, the Council of State provided its decision relating to the Corporation's ownership of the majority stakes in the water utilities of Athens and Thessaloniki.** The Council of State ruled in February 2022 the transfer of these stakes to the Corporation in 2018 unconstitutional. The decision and its implications for the Corporation's portfolio is currently under assessment. **The Corporation has begun implementing the updated strategic plan, in particular in relation to asset valuations.** It has begun the process of tendering advisors to provide valuations of all assets to give a reliable valuation of the whole portfolio. For state-owned enterprises this valuation is expected to be completed by the end of 2022. For the Public Real Estate Company (ETAD), which comprises the main part of the valuation given its extensive real estate portfolio, the valuation is scheduled for completion by the end 2023 – though the process will be structured to provide initial actionable information soon after the process begins. **The Corporation finalised updates to the Investment Policy and this was approved by the shareholder on 31 January 2022**. The Investment

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	Policy will be supplemented by a Technical Supplement covering technical matters, which is expected to be finalised by end-February. **Following the conclusion of the work of the Steering Committee set up under the Coordination Mechanism on the preparation of a performance contract for the Athens Urban Transport Organisation (OASA), the competent Government Committee approved the performance contract, which was subsequently signed by the Athens Urban Transport Organisation and the competent ministries on 2 December 2021.** The performance contract is intended to clarify the financial relationship between the Athens Urban Transport Organisation and the state and link financial transfers by the state to the performance of specific policy objectives. Budgetary appropriations have been made by the Ministry of Infrastructure and Transport for the implementation of the contract in 2022. The next step for the full implementation of the contract is the issuance of a joint ministerial decision that would make possible the payment on a monthly basis, in 12 instalments of the budgeted amount. The joint ministerial decision is expected to be issued by end-February. **Also in relation to the Coordination Mechanism, the Statements of Commitments of each state-owned enterprise will now need to be updated following the approval of the strategic plan**. This is expected during the first quarter of 2022. The Statements of Commitments set out key objectives for state-owned enterprises as agreed between the state-owned enterprise and the Corporation, and will need to be updated to reflect the strategic priorities set out in the strategic plan. **The authorities prepared components of a first draft of the legislation for the modernisation of the institutional framework for state-owned enterprises.** The draft legislation aims at the codification, improvement and modernisation of the current legal framework applicable to the state-owned enterprises inside and outside the Corporation. The draft

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	legislation is divided in two sections (i) a section on public limited companies in which the state has at least 50% of the share capital but which are not held by the Corporation and (ii) a section on the indirect subsidiaries of the Corporation. The institutions look forward to a constructive engagement with the authorities in the final elaboration of the specific legislation, following the sharing of the draft legislation with the institutions. The Corporation has specified a set of reforms to the framework in its Strategic Plan that are all necessary for the effective functioning of the enterprises in the Corporation's portfolio. **There has not been material progress in improving the management of the real estate portfolio.** The holistic strategy from the Public Real Estate Company (ETAD) aimed at accelerating the development of the company’s assets remains pending. The Public Real Estate Company has continued its efforts to improve the performance of specific assets and has seen some success on those projects. However, systemic improvements across the portfolio as a whole, with a view to delivering an overall yield for its portfolio that is comparable to peers, are not evident. Turning this situation around, and delivering value from the real estate portfolio, is a critical responsibility of the Public Real Estate Company and key to the success of the Corporation. To achieve this turnaround, it is fundamental for the Public Real Estate Company to be viewed as, and operate like a private sector real estate manager. The valuation exercise that will unfold over the coming 18 months is also intended to create a clear basis for performance measurement and improvement. **With regard to the transfer of the eligible real estate assets included in the 2018 package to the Public Real Estate Company, a working group has been set up to accelerate the process of final verification of the eligible for transfer assets and resolve potential issues**. The working group is composed of representatives from the General Secretariat for Tax

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	Policy and Public Property, the General Secretariat for Coordination, the Hellenic Corporation of Assets and Participations and the Public Property Company (ETAD). The final verification process is expected to be concluded by end-May 2022 and the eventual transfer of the eligible assets by end-June 2022.
HCAP. Complete the transfer of the Olympic Athletic Centre (OAKA) to HCAP.	**The authorities continued the work on the development of the master plan.** A study setting the guidelines for the financial sustainability of the facility, that will provide input to the plan for the future use of the facility as a civic park, leveraging its core athletics heritage, and adding various mixed-uses aimed at increasing the site's amenity to citizens and tourists and at ensuring the financial sustainability of the facility, is expected to be finalised by end-February. Separately, the authorities are preparing a tender for a detailed feasibility study (including a relevant business plan) based on the guidelines and strategy depicted in the consultants' preliminary study under finalisation, looking at issues such as market depth in order to evaluate the financial feasibility of the various uses under consideration. This feasibility study/business plan is expected in March 2023. It is reiterated that it is crucial that the overall strategy for the site ensures that the site can generate enough revenue to ensure the financial sustainability of a high quality civic facility over the long term, covering not just maintenance, but expected improvements and capital investments.
Privatisation. The Asset Development Plan will be implemented on a continuous basis. With a view to swiftly attracting investment to support a sustained economic recovery, complete the transactions on HELPE, Egnatia,	**The Government Pending Actions List was updated by the Fund in January 2022.** Progress with specific transactions since the last report has been as follows: **Egnatia:** The authorities reiterated their commitment to proceed with the completion and operation of the toll stations as well as with the completion of the works and the licensing of all tunnels. In line with the submitted during the last review timetable, the authorities launched the construction

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DEPA commercial, regional ports of Alexandroupolis and Kavala, AIA shares, EYDAP and EYATH. Complete the transactions on the regional ports Igoumenitsa and Kerkyra, PPC, DEPA infrastructure and Kavala underground storage. By mid-2022, complete the transactions on a number of other regional ports, based on the recommendations of the consultants of TAIPED.	works for two lateral toll stations (Chalastra) in mid-February 2022, and the construction works on four additional toll stations (three lateral and one frontal) continued. Pending is the launching of the construction in the last two lateral toll stations, whereby the technical resolution of an open issue needs to be decided. In total, 17 out of 18 frontal toll stations and 31 out of 40 lateral toll stations are currently in operation. With regard to the licensing of the remaining 16 tunnels under category E (i.e. excluding the transport of dangerous cargo), a study has been finalised in January 2022, providing clarity as to what additional works will be needed. By end-April 2022, it is expected that there will be the completion and operation of one frontal and three lateral toll stations, the licensing under category E of seven tunnels and the submission of the file to the Court of Audit. By end-October 2022, the two lateral toll stations in Chalastra are expected to be put into operation, and the remaining tunnels licensed under category E. The financial closing is planned for the end of 2022. **Regional ports of Alexandroupolis and Kavala:** The draft Concession Agreement for the port of Alexandroupolis was uploaded on the virtual data room for comments to the prequalified investors on 15 December 2021. The expropriation process of the private properties in the upland zone area of the port of Alexandroupolis is in progress. The competent Ministries of Finance and Shipping have decided on the next steps as regards the necessary budgetary resources to be made available for the expropriation. The submission of binding offers is scheduled for end-April 2022. The selection of the preferred investor is expected by end-July and the financial closing by end-December 2022. For the port of Kavala, binding offers are expected by end-February 2022, whereas the selection of the preferred investor is expected by end-April. Financial closing is expected by end-December 2022.

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	Regional port of Igoumenitsa: The Concession Agreement document was finalised in December 2021 and sent to the competent Ministries for comments. It was subsequently uploaded on the virtual data room to the pre-qualified investors for comments on 9 February 2022. The pending issue on the determination of the upland zone of Igoumenitsa port has been fully resolved as it is clearly specified in the concession agreement, and thus the tender process can proceed. The submission of binding offers is scheduled for end-June 2022. The selection of the preferred investor is expected by September 2022. **Regional port of Heraklion:** The completion of the assessment of the Investors Expressions of Interest and the short listing of the prequalified parties for the binding offers phase is expected by end-February 2022, thus launching the binding offers phase for the transaction. The submission of binding offers is scheduled by end-September 2022. **Public Gas Corporation (DEPA) Infrastructure:** Following the approval of the file by the Court of Audit on 11 November 2021, the Share Purchase Agreement between the preferred investor, and the current shareholders of DEPA Infrastructure (the Fund having a stake of 65% and Hellenic Petroleum with a stake of 35%) was signed on 10 December 2021. The next steps are the approval of the preferred investor by the Hellenic Competition Commission and its certification by the Regulatory Authority for Energy. The financial closing of the transaction is expected by end-April 2022 for a financial offer of €733 million (for the 65% stake of the Fund, this corresponds to €476 million). **Public Gas Corporation (DEPA) Commercial:** The Fund decided to extend the suspension of the Binding Offers Phase of the tender further, so as to have more clarity on the outcome of pending issues.

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	Underground Natural Gas Storage (UGS) South Kavala: Following the completion of all technical studies and their uploading on the virtual data room, prequalified investors were granted access to the Virtual Data Room in December 2021. The first draft Concession Agreement is expected to be shared with prequalified investors by end-February 2022. The pending issue on clarity of the tariff setting framework is expected to be resolved via a decision of the Regulatory Authority for Energy expected by end-February 2022. Based on the envisaged timeline of the tender, submission of binding offers is expected by end-May 2022. The selection of the preferred investor is expected by end-July 2022 and the signing of the concession agreement by end-December 2022. **Gournes Heraklion**: Following the submission of binding offers on 15 October 2021, an electronic auction was conducted with the participation of the prequalified for improved financial offer investors for the exploitation of part of the former American military base of Gournes in Heraklion, Crete (a beachfront land plot of 345 567 square meters located 13 km from the airport and 16 km from Heraklion). The development of Gournes is described by many as a smaller Hellinikon project. On 9 December, the Board of Directors of the Fund approved the result of the electronic auction of improved financial offers for Gournes and nominated as preferred investor the highest bidder of the electronic auction process, with a total consideration of €42.2 million in nominal prices. The file of the tender process is expected to be sent to the Court of Audit by end-February for pre-contractual review. The financial closing is expected by end-July 2022. **Attiki Odos:** The Attiki Odos is a modern motorway extending along 70 km. It constitutes the ring road of the greater metropolitan area of Athens and the backbone of the road network of the whole Attica prefecture. The tender for the award of a concession agreement for the

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	operation and maintenance of the Attiki Odos for a period of 25 years will be conducted in two phases: Phase A (submission of expression of interest and pre-qualification of investors) and Phase B (submission of binding offers and selection of the concessionaire). The tender for the submission of the expression of interest was launched on 20 January and the deadline for submission of expressions of interest is 20 April. The completion of 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-June 2022, thus launching the binding offers phase for the transaction. The submission of binding offers is scheduled for the end of 2022. As reported in the previous reports, some transactions had to be delayed following a significant fall in the assets' capitalisation value or the impact of the pandemic on the level of economic activity. This applies to the Hellenic Petroleum and the sale of 30% of Athens International Airport.
Public administration. Complete the integrated HR Management System (digital organigram for all public entities and link with single payment authority).	**Job descriptions have been completed for 95% to all posts, thus completing this specific commitment.** In total, more than 346 500 job descriptions have been prepared. Together with the digital organisation charts that are in place since January 2021 [27] the job descriptions constitutes key elements in the establishment of an integrated human resources management system for the Greek public administration. **Legal provisions paving the way for the appointment of a Permanent Secretary at the Ministry of Education and Religious Affairs have been agreed and are expected to be adopted by end-February 2022**. The agreed legal provisions reflect the specificities of this Ministry, in particular relating to religious affairs, but overall these provisions are

([27]) 9th Enhanced surveillance report, European Commission, February 2021.

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	considered to be consistent with the principles of the Executive State Law in terms of delegation of signature powers to civil servants.
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.	**Work on the codification of labour legislation continues with a view to adopting the Labour Law Code and Code of Labour Regulatory Provisions in May 2022.** A cooperation agreement has been reached between the Ministry of Labour and Social Affairs and the Secretariat General for Legal and Parliamentary Affairs on the way forward. A first codified draft of the Labour Law Code and Code of Labour Regulatory Provisions is expected to be submitted by the Ministry to the Secretariat General for Legal and Parliamentary Affairs by the end of March 2022. The Central Codification Committee will proceed with the review of the codified legislation as a priority. Adoption of the Labour Law Code and Code of Labour Regulatory Provisions is expected to take place in May 2022.
Justice. 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. 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).	**Implementation of mandatory e-filing in administrative courts is advancing and both parts of the project are expected to be concluded by April end of the first quarter of 2022.** The pilot phase for the interconnection with the Legal Council of State database was completed on 20 January 2022 and the authorities confirmed that the competent committee accepted delivery of the work on condition of correction of bugs within February, with the productive functioning of the interconnection being expected by the first week of March 2022; as for the extension of the functionality of the administrative courts' platform, the implementation of the contract was completed on 21 February 2022; the currently ongoing two-month pilot phase is due to lead to the full operationalisation of the project by end-April 2022, whereupon the e-filing of all kinds of documents and submissions is expected to become available, bringing the project to its conclusion.

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	The launch of the call for bids for the integrated case management system for civil and criminal cases ('OSDDY-PP') has been further delayed and is due to be launched in March 2022. Following the expiry of the public consultation period on 16 November 2021, the finalised call for proposals was amended to incorporate selected feedback and is being finalized by the managing authority; the authorities committed that the call will be launched in the first week of March 2022, with a six-month delay. The European institutions reiterated their concern about the delay in the launch of the call for proposals tender and encouraged the authorities to ensure the efficient and unhindered conduct of the process going forward, so that the award of the contract will be effected as projected by the call of proposals. **An e-docket platform has been launched in Athens and its functionality will gradually extend across the territory of Greece.** Regarding the digitisation of court dockets, for enabling stakeholders to register and monitor the progress of cases through the courts, an online platform was operationalized on 1 December 2021, covering the Athens first instance court; citizens and legal stakeholders can henceforth query the platform, using a different search criteria, on the exact location of hearings and on the status of the civil or penal procedure of interest (heard, adjourned, cancelled etc.). The authorities intend to gradually extend the functionality of the platform to all courts across Greece, starting with the three remaining 'OSDDY-PP (first phase)' first instance courts (Piraeus, Thessaloniki and Chalkis). The relevant draft contract is currently being reviewed by the Court of Audits and is expected to be finalized by the end of the first quarter 2022, enabling the gradual territorial roll-out of the platform functionality, starting in late May 2022, with a projected completion date by end August 2023.

Commitment	State of play and next steps
	The e-divorce procedure is now fully functional. Following the adoption of the Joint Ministerial Decision allowing for the operationalisation of the e-divorce platform on 31 December 2021 ([28]), the procedure entered its fully operational stage for the general public on 3 February 2022. **Further selected improvements of court procedures have been planned and are to be implemented in the context of the Recovery and Resilience Facility.** The authorities intend to develop and put into use e-platforms for selected judicial procedures (small claims disputes, third-party statements in enforcement proceedings, the consensual grant of collateral in the context of loan agreements and payment orders). In this context, they have solicited and received feedback by judges and contemplate implementing the relevant projects in the context of the second phase of the OSDDY-PP project, as part of the justice-related actions of the Recovery and Resilience Plan.
Fight against corruption. Implement all recommendations addressed by the Group of States against Corruption (GRECO).	**The authorities continued working towards implementation of the remaining recommendations from fourth evaluation round of the Group of States against Corruption (GRECO).** 1. Recommendation on the selection of senior positions of judges and prosecutors, and on disciplinary proceedings: The new Code for the Organisation of Justice and the Status of Officers of the Courts aims at enhancing the process within the current constitutional framework. Its adoption has been delayed and it is now expected to be tabled to Parliament by the end of April 2022 (see also a specific section on Justice below). 2. Recommendation on providing guarantees against delays and improving caseload management: Work continues with additional measures to address

([28]) Ministerial Decision of the Ministers of Justice and the State No. 70057 OJ B 6390/31 December 2021.

Commitment	State of play and next steps
	this recommendation including: (i) implementation of IT case management systems; (ii) establishment of JustStat unit for judicial data collection; (iii) qualitative elements for guiding and assessing the work of the courts to be introduced in the new Code for the Organisation of Justice and the Status of Officers of the Courts; (iv) improvements to the Code of Civil Procedure to simplify, digitalise and accelerate trial proceedings and to enhance legal certainty; (v) inclusion in the new Code of Criminal Procedure of tools such as criminal mediation and conciliation. The recommendation is expected to be implemented by April 2022. 3. Recommendation on setting clear standards of professional conduct and integrity: The Charter of Judicial Ethics was adopted by the administrative full plenary of the Council of State in December 2021. **In its latest plenary meeting, the Group of States against Corruption terminated the Rule 34 procedure on Greece concerning bribery of public officials.** More specifically, the relevant recommendations were implemented through amendments to the Criminal Code and the Code of Criminal Procedure adopted in November 2021 that included the following: (1) rising the bribery of public officials sanction to imprisonment; (2) limiting the scope of corruption clauses that can be subject to abstention of prosecution; (3) extending the concept of a public official as a subject of the crime of bribery to foreign officials; (4) repealing provisions on effective regret.

Complementary commitments undertaken by Greek authorities in May 2020

Complementary commitment	State of play and next steps
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 the Status of Officers of the Courts.	**The Code for the Organisation of Justice and the Status of Officers of the Courts is expected to be tabled to Parliament by the end of April 2022, and enter into force upon publication in the Official Journal shortly thereafter.** The authorities assured the European institutions that the new code will contain the newly elaborated chapters on disciplinary proceedings, evaluation and professional advancement of magistrates in their full and final form. The revised sections are expected to contribute to increasing the efficiency and effectiveness of courts by revising evaluation standards and mechanisms and by putting in place a fair and effective disciplinary framework. Among other things, the Code is expected to contribute to alleviating the challenges faced by courts in dealing with personal insolvency backlogs monitored under the financial policy commitment, in the sense that its revised disciplinary and promotion rules will foster a culture of stricter adherence to high professional standards amongst the members of the judiciary. A quick progress with the key legislation is critical for a successful completion of the specific commitment on the fight against corruption. The authorities committed to sharing the text of the draft code in early March 2022, prior to the launch of the public consultation procedure.
Justice. Present an action plan for the creation of a specialized 'JustStat' unit for data collection and processing to measure and improve the performance of the judicial system and introduce the relevant legislation.	**The adoption of the requisite secondary legislation for the operationalisation of the JustStat unit of the Ministry of Justice is expected to be adopted with a nine-month delay, by end-March 2022.** The draft presidential decree to operationalise the JustStat unit was examined by the Council of State for conformity with the constitution and its remarks will shortly be addressed to the Ministry of Justice; following the completion of the appropriate amendments to the text, it is expected to be adopted by end-March 2022. The authorities confirmed that the members

Complementary commitment	State of play and next steps
	of the supervisory committee will be appointed within two months from the adoption of the presidential decree.
Public administration. Strengthen the hiring control of the public sector through setting an annual ceiling of temporary staff.	**A needs assessment of permanent and temporary teachers in the medium- to long-term will be completed by April 2022.** The authorities have assigned the Ministry of Interior to carry out this study with the support of an independent human resources auditor. The study is expected to include considerations regarding the 3 000 exceptional temporary staff hired for the 2022-23 school year that have not been fully offset so far by reductions in permanent teaching positions. The authorities have confirmed that a timeline and overall scope for the needs assessment has been set and an independent human resources auditor has been assigned. **As part of the authorities' commitment to strengthen central control of hiring and salary provisions, a list identifying deviations from the unified wage grid has been finalised with relevant legal provisions to be adopted by April 2022.** The list setting out deviations from the unified wage grid covers the period from 2016 until September 2021 will be presented to the Council of Ministers in February 2022. Legal provisions to address any deviation not considered justified are expected to be adopted by April 2022. Finally, a detailed report setting out the revised methodology for the allowance for hazardous and arduous has been made publicly available. The revised framework, which allows for greater transparency and predictability with the overall cost remaining unchanged, is expected to be adopted by all ministries by February 2022.
Management of public real estate. Draw up a holistic and coherent strategy aiming to optimize the protection, management and investment-oriented exploitation of	**The preparatory work on drawing up a holistic and coherent strategy is progressing.** The collection of all the required information and the drafting of the request for proposal for the consultant that will work on the study for the elaboration of the real estate strategy is underway and it is expected to be finalised by end-February 2022. The process for the selection

Complementary commitment	State of play and next steps
public real estate, including all organizations involved with public real estate management, without prejudice to their mandates.	of the consultant, who will undertake the study is expected to be concluded by mid-April 2022, so that the work can start immediately thereafter and be completed by end-June 2022 with the finalisation of the strategy. As already reported in the 12th enhanced surveillance report, the agreed scope of the study includes the identification of international best practices and mapping of current situation / gaps, sustainable development of the public property and areas for reform of the framework for the development of public real estate assets.
Public procurement. Adopt a new public procurement strategy for 2021–2025 by end 2020.	**The authorities adopted two pieces of secondary legislation critical for the implementation of newly introduced elements of the new law, while the final one remains pending.** The two adopted joint ministerial decisions concern the establishment of a certification framework to allow the deployment of private-sector engineers in the audit of certain value contracts for public works and studies. However, the adoption of the third pending joint ministerial decision to fulfil this commitment, which concerns the set-up of a new legal entity to develop and maintain a new integrated system for technical specifications and costing of technical works, has been delayed and is now expected shortly. The latter constitutes an important first step to introducing a unified approach in the technical and financial management of all public works, in order to overcome distortions that lead to large variations in the technical specifications and pricing of similar projects. The actual transition to the new system itself will take place following the achievement of the system's full productive operation, which is expected by September 2022.
Education.	**The draft law on higher education is advanced, but not at a pace that would allow a closer assessment.** This means a further delay of this additional commitment compared with the agreement reached in the previous report, which was to have the draft law ready by end-2021 and vote it in Parliament in the first quarter of 2022. The delay is partly due to

Complementary commitment	State of play and next steps
Enhance the autonomy of higher education by strengthening the accountability and transparency framework and through the introduction of the University Councils.	the substantial effort that was needed to keep universities open during the latest outbreak of the fourth COVID wave. The revised timetable is to put the bill in public consultation in March 2022 and adopt it in May 2022. **The upcoming law foresees the establishment of a university council for each institution to further strengthen the autonomy of the higher education institutions.** Apart from the reform of the governance, upcoming reforms will include the continuous education of teachings staff, graduate tracking to follow-up on the graduates' employability and the initial training of graduates for teaching in secondary education. **The new Higher Education Act is also expected to cover technological education, which was practically abolished in 2018-19**. Reinforcement of the technological sector of higher education institutions is important to improve links between higher education and the labour market and to create credible prospects for the professional integration of their graduates. The new legislation will increase diversification within the university sector to ensure that the orientation of studies in applied sciences and technology is provided and strengthened.
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.	**The authorities successfully completed the set-up of the single digital (gov.gr) portal backed by relevant initiatives to ensure system interoperability and robustness, in line with the guidelines and priorities set out in the National Digital Transformation Strategy and the urgent needs arising from the evolution of the pandemic.** The portal, which brings to date more than 1 300 services, constitutes a key first step towards creating a digital public administration and improving the quality of services offered. At the same time, it paves the way for the creation of an extended innovation ecosystem with gov.gr acting as an open technology enabler for third parties. Recently added functionalities and applications include business intelligence to generate analysis on the use of services and

Complementary commitment	State of play and next steps
	user traffic flows, a helpdesk platform for services hosted, and a digital repository for all Greek legislation since the establishment of the Greek state. Moreover, the authorities continue to implement initiatives to ensure interoperability and secure data exchange, which enable the provision of new services and ease the administrative for businesses and citizens. A recent initiative concerns the redesign and digitalisation of the procedure to enable the start-up of a private business without the need to visit any public service. Going forward, an ambitious set of interventions aimed at further enhancing the provision of customer-oriented digital services is envisaged under Greece's recovery and resilience plan.

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