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COMMUNICATION FROM THE COMMISSION

Enhanced Surveillance - Greece, April 2019

Background

The Commission adopted its second enhanced surveillance report for Greece on 27 February 2019.¹ Alongside the integration of Greece into the European Semester, enhanced surveillance provides a comprehensive framework for monitoring economic developments and the pursuit of policies needed to ensure a sustainable economic recovery.² It also provides the framework for the Commission to assess the commitment given by Greece to the Eurogroup of 22 June 2018 to continue and complete reforms adopted under the European Stability Mechanism stability support programme and to safeguard the objectives of the reforms adopted under that programme and its predecessors, pursuant to Article 3.1 of Regulation 472/2013. This includes the implementation of specific reform commitments annexed to the Eurogroup statement of 22 June 2018 in the areas of (i) fiscal and fiscal-structural policies, (ii) social welfare, (iii) financial stability, (iv) labour and product markets, (v) privatisation and (vi) public administration.³

The enhanced surveillance report of 27 February 2019 concluded that Greece had made considerable progress in completing the implementation of its specific reform commitments due by end-2018. More specifically it concluded that the following specific commitments for end-2018 could be considered as having been achieved: (i) the adoption of a budget for 2019 which should reach a primary surplus target of 3.5% of GDP; (ii) the non-accumulation of net arrears, although additional efforts are still needed to clear the backlog and avoid the build-up of new arrears; (iii) the opening of a critical mass of primary health care centres (TOMYs); (iv) the completion of important steps to ensure centralised health care procurement; (v) the relaxation of capital controls in line with the agreed roadmap; (vi) the definition and adoption of the divestment strategy of the Hellenic Financial Stability Fund (HFSF), with the potential involvement of the authorities in the final stage of the divestments still under consideration; (vii) the adoption of enabling legislation for investment licensing; (viii) the revision of the minimum wage formally in line with the legislated procedure, although the magnitude of the increase raises risks for employment and competitiveness; (ix) the completion of phase I of the e-justice project; (x) the implementation of the strategic plan of the Hellenic Corporation for Assets and Participations (HCAP); (xi) the restructuring of the real-estate subsidiary ETAD and launch of the implementation of the coordination mechanism for State-owned enterprises falling under HCAP in light of delays in the transfer of the Olympic Centre (OAKA); (xii), the updating of the Asset Development Plan of the privatisation agency (TAIPED), the completion of key privatisation tenders including the gas transmission network (DESFA) and the extension of the concession for Athens International Airport, as well as the completion of key steps related to the Hellinikon project; and (xiii) the authorities have agreed with the Commission on the modalities to carry out an independent assessment of the appointment process for the Administrative Secretaries and Director Generals by mid-2019, and have adopted key legislation to improve recruitment planning in the public sector and linking the multi-annual hiring plan with the Medium-Term Fiscal Strategy (MTFS).

The enhanced surveillance report of 27 February 2019, however, also concluded that a number of specific reform commitments due by end-2018 remained open and would need to be

¹ Communication from the Commission COM(2019)201 and accompanying Staff Working Document SWD(2019)201 of 27 February 2019.

² The European Central Bank (ECB) participates in enhanced surveillance in liaison and in accordance with the ECB's competences and thus provides expertise on financial sector policies and macro-critical issues, such as headline fiscal targets and sustainability and financing needs. The European Stability Mechanism (ESM) participates in the context of the ESM's Early Warning System and in accordance with the Memorandum of Understanding of 27 April 2018 on working relations between the European Commission and ESM.

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

completed. The open issues at the time related to measures in the areas of revenue administration, financial stability, energy, privatisation and public administration. On some commitments, technical steps were to be completed (restructuring of the gas company DEPA; Egnatia motorway; HFSF appointments), while on others, substantive discussions were still ongoing (revenue and public administration; lignite divestiture; financial sector including primary residence protection).

The enhanced surveillance report of 27 February 2019 also flagged that developments in some areas raise concerns about the orientation and delivery of reforms over the the medium-term. These concerns warrant the full attention of the authorities and relate to (a) the level of ambition in tackling remaining structural fiscal challenges and avoiding the creation of new fiscal risks which could emerge from Court rulings, recruitments in the public sector and potential changes to instalment schemes for tax and social-security debts; (b) the pace of progress and degree of priority attached to measures needed to restore the strength and resilience of the banking sector, in particular regarding asset quality; and (c) the commitment to safeguard wage competitiveness over the medium term and to establish an environment which is genuinely business and investment-friendly.

This update assesses developments in the implementation of the specific reform commitments due by end-2018 since the adoption of the enhanced surveillance report on 27 February 2019. In particular, Greece has (i) adopted primary and secondary legislation to strengthen the Independent Authority for Public Revenue; (ii) provided relevant updates on measures to support non-performing loans (NPL) resolution and banking sector stability (e-auctions, state guarantees, household insolvency action plan); (iii) adopted primary, and have committed to adopting shortly secondary, legislation on a new scheme for primary residence protection; (iv) taken the necessary steps to fill the vacant positions at the HFSF; (v) relaunched the tender for the divestiture of part of the Public Power Corporation's lignite-based generation capacity; (vi) adopted the legislation for the restructuring of DEPA, (vii) taken forward actions to remove obstacles to the Egnatia transaction; and (viii) adopted a range of measures to advance public administration reform.

Greece has taken the necessary actions to achieve all specific reform commitments for end-2018.

The Eurogroup of 22 June 2018 agreed that the package of debt relief measures for Greece should include incentives to ensure a strong and continuous implementation of the reform measures agreed in the programme. To that end, certain policy-contingent debt measures are made available to Greece on a semi-annual basis up to mid-2022, subject to compliance with its commitments on reform continuity and completion, based on positive reports under enhanced surveillance. Those debt measures include: (i) the return of income equivalent amounts stemming from central banks' holdings of Greek government bonds under the Securities Markets Programme and the Agreement on Net Financial Assets and (ii) a reduction to zero of the step-up interest rate margin for certain loan instalments provided by the European Financial Stability Facility. The contents of the enhanced surveillance report of 27 February 2019 and this subsequent update could be used by the Eurogroup to agree on the release of a first tranche of policy-contingent debt measures.

[An update on progress with the implementation of specific reform commitments](#)

Public revenue administration

While the end-2018 specific commitment to reach a staffing level of 12,000 permanent employees at the Independent Authority for Public Revenue (IAPR) has not yet been reached (the end-2018 staffing level was at 11,487), the authorities have now adopted a full set of complementary measures. These will support compliance with the staffing commitment, strengthen the broader

reform of revenue collection and enhance the overall operational capacity and efficiency of the IAPR across a number of dimensions. By the time of the enhanced surveillance report on 27 February 2019, the authorities had already taken a number of these actions (adoption of the reform action plan ("Blueprint") for 2019-2021; agreement with the General Secretariat for Information Services on an annual IT envelope). Since the adoption of the enhanced surveillance report on 27 February 2019, the authorities have completed the remaining agreed complementary measures to strengthen the IAPR:

- The introduction of grading, remuneration and performance assessment tailored to the IAPR is seen as essential in order to enhance IAPR's prospects to attract highly-qualified staff and to allow for their development and progression. A legislative amendment to IAPR's enabling legislation was adopted in early March 2019. Subsequently, that amendment will allow the adoption of secondary legislation to introduce a new grading scheme directly linked with the job descriptions. This reform is closely connected to the public administration reform area, and in particular the appointment of senior managers in the public sectors.
- Legislative amendments on liability protection and facilitating mobility were agreed and adopted in early March 2019.
- A Joint Ministerial Decision on the procurement of fuel markers was adopted in early March, which will provide an important tool in the fight against smuggling.

The NPL resolution framework

The enhanced surveillance report had concluded that shortcomings in the legal frameworks relevant to NPL resolution should be addressed. Since the adoption of the enhanced surveillance report on 27 February 2019, the authorities have taken further actions in several areas. These actions are considered as sufficient for the purposes of meeting the specific commitment to support NPL resolution: however, close monitoring and follow-up will be required going forward, and the European institutions will report back in the context of enhanced surveillance. Specifically:

- The authorities have adopted a legislative amendment and have provided an updated action plan on the processing of **State-guaranteed loans**. Its effectiveness in practice towards a full clearance of the pending stock of called guarantees will be assessed in the coming months.
- Regarding **e-auctions**, a way forward has been outlined to address the issue of court-ordered auction postponements which result from the filing of debtors' petitions for a revision of the reserve price in the context of the upcoming evaluation of the implementation of the Code of Civil Procedure. The authorities are expected to present and adopt as needed in the context of the third enhanced surveillance cycle proposals for implementing measures to deter procedural abuse by strategic defaulters via last-minute petitions for postponements in the context of the implementation of the new system of primary residence protection and of the existing household insolvency (Katseli) law. The authorities will also undertake further analysis regarding the reasons for failed auctions and address them including through legislative means, where necessary.
- Data on pending cases in the context of the **household insolvency framework**, as well as a target trajectory for the elimination of the backlog until 2021 as envisaged in the action plan, were delivered by the authorities, based on the assumption of an improved infrastructure. A revised action plan is expected to be delivered by the authorities by mid-2019, also taking into account the impact of the new scheme on primary residence protection.

- On the **NPL sales and securitisation laws**, required clarifications were communicated to the Hellenic Banking Association and uploaded it on the website of the Ministry of Finance. Their effectiveness will be assessed in the coming months.

Non-performing loans: primary residence protection

Greece has adopted legislation to establish a new system for the protection of some primary residences which aims to support the restructuring of non-performing loans. This follows the expiry of provisions on the protection of primary residences under the Household Insolvency (Katseli) law, which was intended to be temporary and expired at the end of February 2019 following an exceptional two-month extension. The primary legislation for the scheme was adopted on 29 March and secondary legislative acts on the specifications of the designated electronic platform, the State subsidy and the manner of valuation of certain assets included in the wealth criteria are to be adopted shortly thereafter.

The new scheme is unique to Greece. In brief, borrowers who are natural persons and whose loans are secured with collateral on the primary residence and were in arrears on 31 December 2018 can apply to the scheme through an electronic platform. Provided they meet certain eligibility criteria, they can apply to benefit from a restructuring and write-off of their mortgage debts (housing or business loans), either following agreement on standardised restructuring proposals to be extended by creditors through an online platform or, absent that agreement, by taking recourse to the courts; debtors would also benefit from the protection of foreclosure on their primary residence as long as they make instalment payments on the restructured debts. For part of the instalments the borrowers would receive a State subsidy. Discussions over the past few weeks served to clarify key issues, with a view to ensuring that the scheme is genuinely temporary, properly targeted, and contains adequate safeguards to prevent abuses by strategic defaulters and the creation of new backlogs at the courts as well as supporting incentives for payment discipline.

The main parameters of the new scheme are as follows:

- **The scheme covers both household and business loans collateralised by primary residences.** The extension of the perimeter to business loans raises particular concerns which have been communicated to the Greek authorities. It involves the expansion of the scope of the protection on primary residences to a new category of borrowers not covered by the earlier Katseli legislation (business loans recipients) and without assessing the viability of the businesses: it is therefore less clear how many applications there will be and thus how well the capacity of the system (including courts and the state subsidy mechanism) will cope. It also warrants particular attention from a financial stability perspective, as the available impact assessments indicate that larger debt write-offs will be required compared to residential mortgage loans, and thus the estimated impact on banks' capital is comparatively high. Moreover, if the scheme does not function well, there is a risk that banks in the future would be less willing to provide loans to small business where the primary residence is used as collateral and thus secured lending activity might be adversely affected. Finally, there are risks that the availability of the new scheme for business loans will reduce the incentives of eligible debtors to use the out-of-court framework which allows for the restructuring potential arrears also with respect to taxes and social security contributions. The most binding criterion for eligibility is the size of the outstanding loans, which is set at EUR 130,000 per creditor for residential mortgage loans and EUR 100,000 for business loans, thereby mitigating the risks associated to this loan category to some extent. According to available estimates, the perimeter

of eligible debtors with obligations to more than one creditor would be narrow and the adoption of a threshold per creditor would simplify the automatic processing of applications under the platform. The institutions expressed concerns about allowing the threshold for a multiple of creditors and have requested additional information from the authorities on coverage and impact.

- **The scheme establishes eligibility criteria for household income and wealth other than the primary residence, as well as a threshold for the value of the property.** The wealth threshold is set at EUR 15,000 for the liquid assets of the borrower, spouse and dependents and EUR 80,000 for immovable assets and transportation vehicles at the time of application. The European institutions have drawn the attention of the authorities to the implications of their policy choice on incentives for payment discipline and on the distributional implications of providing a State subsidy for 20 years to borrowers who may have reasonably large wealth in addition to their primary residence. The income threshold is based on the conditions set out in the Katseli law, i.e. depending on the household size with a cap of EUR 36,000 annually.⁴ The threshold for the value of the protected residence is set at a uniform value of EUR 250,000 for household loans, hence having a wider scope than the Katseli law (whose threshold is EUR 180,000 plus additions for family size). In the case of business loans the threshold is set at a uniform value of EUR 175,000.
- **The scheme is open to debtors who as public employees received a mortgage not from a bank, but from a public fund under preferential conditions.** The European institutions have drawn the attention of the authorities to the fact that this does not target the country's NPL challenge which refers to bank credits, and may have repercussions for incentives to maintain payment discipline.
- **The scheme is designed to be temporary.** Applications can be submitted by 31 December 2019, for loans that have been overdue for 90 days or more by 31 December 2018. This will allow to report back on the expiry of the scheme in the context of monitoring the end-2019 specific commitments under enhanced surveillance.
- **Based on restructuring offers from the banks, instalments will be supported by a state subsidy in a progressive manner dependent on income** (on average estimated at around 30%). The scheme applies a mandatory haircut for the principal exceeding a loan-to-value ratio of 120%. Moreover, the instalments will have a standard duration of 20 years capped at the 80th year of the debtor's age. The approach has the potential to help overcome delays in NPL reduction by offering a standardised solution. However, contrary to standard banking practice, it does not give full regard to the debtor's overall payment capacity, and it gives no regard to the viability of borrowers of business loans, as it applies the same restructuring and write-off horizontally. This was designed to facilitate a large number of restructurings in a limited period of time.
- **The electronic platform should be operational by end-April 2019.** It is intended to operate in a fully automated manner in assessing compliance with eligibility criteria and will have the capability of accessing information pertinent to the applicants from other public sector and/or banking sector databases. The platform will notify creditors of pending applications and will provide them with the relevant data collection to enable them to formulate their proposal to the

⁴ The equalised median income for a household of the size eligible for the highest threshold (two adults and three dependents) is around EUR 18-20,000, depending on the age of the children.

debtors. The platform is also intended to be used to filter pending Katseli cases with reference to their quantitative elements; if implemented properly, this aspect will help courts to discover abusive applications made under the household insolvency law and allow the speedier resolution of these cases.

- **An efficient operation of the platform could in principle result in a satisfactory number of restructurings and with limited yet non-negligible risks of subsequent litigation that could add to existing backlogs.** Should the platform procedure fail to result in a restructuring agreement, the debtor is entitled to file a request for restructuring with the competent magistrate's court. The appointment of the hearing date and the issuance of the court decision must ensue within strict time periods (six months from the filing of the application and three months from the hearing of the case respectively). Temporary stays of enforcement may be granted under specific conditions and requiring, in the case of debtors who were deemed eligible but failed to attain a restructuring under the platform, the payment of monthly instalments or the payment of a portion of the outstanding amount, depending on circumstances. The legislation provides some safeguards against frivolous or *mala fide* filings as these can be sanctioned by the court through the imposition of a penalty. However, it is warranted to closely monitor potential new litigation generated under the scheme and the impact on enforcement in both the short and the long term, as both of these elements are relevant for future lending activity and the NPL reduction process.
- **Available estimates confirm that the fiscal cost of the subsidy will be within the envisaged budgetary envelope of EUR 150 million for 2019 and EUR 200 million annually thereafter.** The calibration of the subsidy should be set out in the secondary legislation and will require careful monitoring, as the available estimates are subject to uncertainties in view of incomplete data availability.

Overall, the new legislative scheme has the potential to support NPL restructuring, though some risks to financial stability and payment discipline remain. Considerable progress was made during the preparatory phase of drafting the legislation to mitigate implementation and litigation risks identified in an opinion of the ECB⁵ on an earlier draft of the law, concerns which related to the potential impact of the scheme on financial stability and payment discipline, as well as to risks of abuses by strategic defaulters. It should be underlined, however, that these risks have been mitigated to some extent, but not eliminated, in the legislation which was adopted: the uniqueness of the scheme means there is uncertainty on how it will work in practice and thus on the scale and possibility to quantify these risks.

Going forward, remaining technical details, particularly relating to the operability and functionality of the platform, should be worked out swiftly, and the technical implementation should be set up as quickly as possible. Implementation will need to be closely monitored, in terms of operational aspects (functioning of the platform, speed of resolution), the impact on the banks' capital, the impact on enforcement and litigation, and the fiscal cost of the subsidy. The European institutions will provide updates on the implementation of the scheme and possible concerns in the context of enhanced surveillance. The Greek authorities are invited to commit to not extend further the duration or scope of the new scheme and to take corrective actions, including legislation, if implementation or legal problems arise with the scheme. Finally, it should be recalled that the new scheme will require state aid approval by the Commission.

⁵ https://www.bankingsupervision.europa.eu/ecb/legal/pdf/en_con_2019_09_f_sign_.pdf

In line with the explanatory report attached to the legislation on the new scheme, the European institutions welcome the commitment of the Greek authorities to take action to unify the set of laws that are relevant for insolvency/bankruptcy and debt restructuring. This will start with a reform of the Katseli law, which should be completed by mid-2019, with a view to ensuring legal clarity and consistency, removing loopholes which can be abused in order to suspend or block enforcement, adding safeguards that are considered sufficient to deter strategic defaulting behaviour, and enhance the culture of bilateral or multilateral restructurings out of courts.

The Hellenic Financial Stability Fund (HFSF)

All commitments regarding the governance of the HFSF have been completed. Regarding the operation of the HFSF, the Minister of Finance submitted a letter to the Eurogroup Working Group (EWG) with the nominees for the open positions in the Executive Board and in the General Council of the HFSF, and the nominees were endorsed by the EWG. The Ministry of Finance also obtained and approved an opinion of the Legal Counsel of the State on the status of the HFSF Selection Panel and regarding its continuation for the duration of the HFSF.

Energy

The divestiture of parts of the lignite-based generation capacity of the Public Power Corporation (PPC), consisting of the lignite-fired power plants Meliti and Megalopoli 3 and 4, remains a cornerstone of Greece's energy reforms. Following the failure of the first tender in February 2019, the authorities reaffirmed their intention to finalise the divestiture and comply with the existing commitment under enhanced surveillance, the antitrust remedies and the related and the related Commission decision. For this purpose they launched a new tender with the end of June as a deadline for closure of the deal, marked by approval by PPC's General Assembly. The divestiture was also included in a recent national energy law amendment, which extended to PPC shareholders the obligation to complete the divestiture. PPC may request a new valuation of the plants, this time taking into account other lignite sales in the EU as stipulated in the antitrust remedies, as well as the offers received in the recent failed tender. Furthermore, PPC shall appoint another valuator, which will give a fairness opinion of the offers received. Regarding clarity about the sale terms, it was agreed not to include a risk-sharing mechanism in the Sale and Purchase Agreements (SPA), though other terms may be discussed with investors during the process. All these steps will be taken to successfully complete the divestiture process in accordance with the commitments given in the antitrust case and within the deadline for the new tender.

The new divestiture process is already underway in accordance with the envisaged timelines. Six companies responded to the invitation to submit expressions of interest. A Virtual Data Room is now in place which contains the SPAs that will be the basis for negotiations. The coming months should see the release of the first SPAs, the agreement on the final version of the SPAs and then the submission of binding offers. These offers need to be approved by both PPC's Board of Directors and PPC's General Assembly before the end of the Divestiture Period, set for end-June 2019. Following the approval by PPC's General Assembly the Hellenic Parliament will ratify the sale. Building on the timely implementation of the envisaged steps so far, it will be key to keep up the regained momentum for the divestiture transaction going forward.

Privatisation

Legislation related to the corporate restructuring of the gas company DEPA was adopted on 7 March 2019. The legislation paves the way for the agreed privatisation transaction. It will be important to ensure that the transitional provisions on employment included in the legislation remain targeted towards existing employees at their current levels.

In January 2019, the authorities had agreed to a number of actions to be swiftly implemented in order to deal with the recurrent obstacles to the concession of the Egnatia motorway. The objectives was to enable the transaction to proceed with a view to having binding offers within 2019 in line with the updated Asset Development Plan of the privatisation fund TAIPED. The agreed actions due so far have been implemented in line with technical feasibility. This includes notably the adoption of Egnatia's budget, the completion of the parliamentary procedure for the appointment of the CEO of Egnatia, the submission by Egnatia of all pending files to the Tunnel Licencing Authority and the submission of necessary information on the toll pricing policy to the Commission. The accelerated process regarding tunnel licencing should continue in order to resolve tunnel licencing issues as quickly as practicable. More generally, it will be critical to ensure that the transaction proceeds unhindered going forward, so as to avoid clouding the overall positive picture on the privatisation agenda.

Public administration

Against the background of uneven progress with the appointment of senior managers, a series of complementary actions have been completed relevant to the modernisation of the public administration, including adoption of a law that will allow for a long-term hiring plan to be closely linked to the medium-term fiscal strategy (MTFS) and setting up a road map on how to streamline the job classification system ('klados'). Since the adoption of the enhanced surveillance report on 27 February 2019 the authorities have delivered on key actions relating to the legal codification reform, including issuing the approval decision for the 'digital portal' tender and submission of legal provisions for the 'Central Codification Committee', which is expected to have a key role in overseeing the legal codification. In addition, the authorities have confirmed that the number of planned hirings in 2019 is in accordance with the figures included in the hiring plan allowing for a one-to-one replacement rule for 2019 to be met. This will include rebalancing from 2018 the number of permanent hirings (about 1,000) that exceeded the 1:3 attrition rule for 2018 as well as reducing the temporary staff (around 14%) in order for the wage bill target in the MTFS to be met.

Progress with the implementation of end-2018 specific commitments to the Eurogroup ([Eurogroup annex](#) 22 June 2018)

25 March 2019

	Commitment	State of play
1	Fiscal target: the annual budget achieves a medium-term primary surplus of 3.5% of GDP.	The 2019 budget was adopted and it is consistent with the primary surplus target.
2	Public revenue administration: Permanent staffing positions at the Independent Authority of Public Revenue (IAPR) to reach 12,000 by end-2018.	<p>Permanent staff stood at 11,487 at end-2018, thus below target. The authorities have adopted the following complementary measures:</p> <ul style="list-style-type: none"> • <u>Blueprint (2019-2021):</u> IAPR has adopted its 'Blueprint' • <u>IT:</u> agreement reached between GSIS and IAPR on an annual envelope for IAPR services part of GSIS' budget. • <u>HR Reform:</u> An amendment to the enabling legislation allowing the establishment of a grading system based on job descriptions has been adopted on 6 March 2019 (FEK A 48/2019, Article 64). This measure is connected to the public administration reform area (#16). • <u>Liability for tax/customs officials:</u> agreement on content. Law amendment adopted on 6 March 2019 (FEK A 48/2019, Article 64). • <u>ransfers to IAPR from the mobility scheme:</u> legal provisions to be adopted to facilitate the transfer of staff to IAPR from the mobility scheme. agreement on content. Law amendment adopted on 6 March 2019 (FEK A 48/2019, Article 64). • <u>Joint Ministerial Decision on 'fuel markers':</u> has been adopted (FEK B 803/2019, 7 March 2019). • <u>Appraisal decision by IAPR</u> has been published in the Government Gazette (FEK B 6225/2018).
3	Public financial management: Avoid the accumulation of new arrears.	December 2018 data show that the stock of net arrears has been reduced since the end of the ESM programme. January data demonstrate a continuing albeit slow reduction. Going forward, additional efforts are still needed to clear the backlog and avoid the build-up of new arrears.
4	Health care: Open at least 120 primary health care centres (TOMYs) by end-2018.	Based on the latest reports, 120 primary health care units (TOMYs) were opened across the territory.
5	Health care: Establish the main body responsible for central procurement (EKAPY) by end-2018.	The main body responsible for central procurement, EKAPY, is operational and centralised procurement has resumed.

	Commitment	State of play
6	Non-Performing Loans (NPL): continue to implement reforms aimed at restoring the health of the banking system, including NPL resolution efforts by ensuring the continued effectiveness of the relevant legal framework.	<p><u>State-guaranteed loans:</u> an updated action plan has been submitted to the European institutions; Agreed legal amendment has been adopted. <u>E-auctions:</u> Agreement has been reached to address the issue of court-ordered auction postponements which result from the filing of debtors' petitions for a revision of the reserve price in the context of the evaluation of the implementation of the Code of Civil Procedure, due for completion by end-March 2019. <u>Backlog of household insolvency cases:</u> The authorities have presented updated data covering the evolution of the backlog throughout 2018. <u>NPL sales and securitisations laws:</u> required clarifications on the implementation of law 4354/2015 were communicated to the Hellenic Banking Association and uploaded on the MoF's website.</p> <p><u>Household insolvency law:</u> the authorities have legislated a scheme for the protection of primary residences. While the scheme has the potential to support NPL restructuring, risks to financial stability and payment discipline have been mitigated to some extent but not eliminated. Close monitoring will therefore be required, and the institutions will report back in the context of enhanced surveillance. <u>E-auctions</u> impediments and an updated action plan on the backlog of household insolvency cases related to the Katseli law are expected to be addressed/submitted in the context of the the third enhanced surveillance cycle, also taking into account revised framework for the protection of primary residences.</p>
7	Capital controls: relaxation of capital controls in line with the roadmap of May 2017.	The authorities have continued to lift capital controls in line with the agreed roadmap.
8	Justice: complete phase I of the establishment of the e-justice system (OSDDY-PP) by end 2018.	Phase I of the OSDDY-PP has been completed with all deliverables formally handed over by the contractor by January 2019.
9	The HFSF will by end-2018 develop an exit strategy for the sale of its stakes in the systemic banks and the mandate of the Selection Panel of the HFSF shall be aligned with the mandate of the HFSF.	<u>Exit Strategy:</u> The HFSF General Council has approved the divestment framework for the sale of its shares in the four systemic banks. <u>Selection Panel mandate extension:</u> The authorities clarified that in their view the mandate of the HFSF Selection Panel as a body is in alignment with the recently extended mandate of the HFSF; this was confirmed by the Legal Counsel of the State whose opinion was approved by the Minister of Finance. <u>Appointments:</u> Concerning the nominees for the open positions in the Executive Board and the General Council, the EWG, in its letter to the Minister on 14 March endorsed all the nominees referred to above. The Ministerial Decisions on the appointment of these persons are pending.
10	Labour market: Safeguard competitiveness through an annual update of the minimum wage in line with the provisions of Law 4172/2013.	The authorities have updated the minimum wage following the procedure laid down in Article 103 of Law 4172/2013. As a result, the minimum wage has been raised by 10.9% and the sub-minimum wage for persons aged under 25 was eliminated (implying an increase of some 27%). The magnitude of the increase raises concerns for the employment prospects (especially for the young and old-age low-skilled workers), and for competitiveness in the medium term.
11	Investment Licensing: adopt all enabling licensing legislation	All enabling legislation had been adopted by the issuance of a joint ministerial decision (FEK/B/436 - 14.02.2019).
12	Energy: Complete the agreed divestment of a share of Public Power Corporation's lignite-fired	Following the failure of the tender process, the authorities have submitted a revised proposal which has been discussed in detail, with clarity emerging about the main elements. Amendments to an energy law were passed on 7

	Commitment	State of play
	capacity by end-2018.	<p>March containing provisions to allow for the divestiture. An updated proposal for the tender process based on the terms discussed, has been submitted to the Commission on 8 March. The proposal foresees the relaunch of a fast-track tender process to be finalised by May 2019. The key elements of the proposal are:</p> <ul style="list-style-type: none"> • A new valuation of the plants, taking into account similar transactions • That there should be no reference to a risk sharing agreement in the Sale and Purchase Agreement (SPA) • The SPA will be approved by Parliament • PPC's BoD and shareholders have a legal obligation to complete the transaction <p>On 8 March 2019, the invitation for expressions of interest and the request for binding offers has been launched. Intermediate actions have been implemented in line with the envisaged timelines. The VDR has been opened, containing the initial SPA, to which access has been given for the 6 companies that submitted Expressions of Interest and signed the confidentiality agreement. This will be the basis for discussions between those investors and PPC.</p>
13	Hellenic Corporation of Assets and Participations (HCAP): The Strategic Plan of HCAP will be implemented on a continuous basis.	HCAP prepared the Strategic Plan which was approved by the General Assembly in January 2018. On the basis of the Strategic Plan, the non-listed subsidiaries submitted updated Business Plans to HCAP. Furthermore, HCAP prepared the Business Plan of the Corporation for the period 2019-2021 implementing the Strategic Plan and setting key performance indicators for the non-listed subsidiaries.
14	HCAP The transfer of OAKA to HCAP and the restructuring of ETAD will be completed by end-2018.	The restructuring of <u>ETAD</u> has been completed. The transfer of <u>OAKA</u> is taking longer to complete than initially planned. The authorities have developed a roadmap for specific actions to be taken during 2019 to address the open technical issues, which appears appropriate in light of the complexity of the project. In addition, on 21 February 2019, the Cabinet Committee and HCAP have launched the implementation of the coordination mechanism for State-owned enterprises.
15	Tenders The Asset Development Plan of TAIPED will be implemented on a continuous basis. The transactions on the AIA concession, Hellinikon and DESFA will be completed by end-2018	<u>Asset Development Plan (ADP):</u> The updated ADP of TAIPED was endorsed by KYSOIP on 15 February (FEK 461, 15 February 2019). <u>DESFA:</u> The financial closing of the transaction was completed on 20 December 2018. <u>AIA:</u> The AIA extension agreement was ratified by the Greek Parliament on 14 February 2019 and the payment of the financial transaction of EUR 1.1 billion plus an annual rate of 10.3% paid proportionally by AIA from 1 January 2019 until closing date, was done on 22 February 2019, thereby closing the transaction. <u>Hellinikon:</u> the project has encountered some delays mainly concerning the award of the casino licence and the urban planning and environmental approvals. As key intermediate steps: (i) the request for proposal for the award of the casino licence was uploaded on 22 February; (ii) the studies on the urban planning zone, the development zone, and the park were submitted by the investors to the Greek authorities, on 6 February 2019, and the Integrated Environmental Impact Assessment study followed on 18 February. The Integrated Environmental Impact Assessment study was uploaded in the electronic environmental register, after the needed corrections, on 25 February 2019. The Public consultation started on 21.3.2019. <u>DEPA:</u> Legislation related to the corporate restructuring of DEPA was adopted on 7 March 2019. The legislation paves the way for the agreed privatisation transaction. It will be important to ensure that the transitional provisions on employment included in the legislation remain targeted towards existing employees, at their current levels. <u>Egnatia:</u> All actions included in the list agreed between the Greek authorities and the institutions to put the

	Commitment	State of play
		Egnatia concession back on track have been done. Only technical issues remain to be completed to enable Egnatia to proceed to the launching of the construction of all remaining toll stations, whereas there should be a continuation of the enhanced efforts for conclusive feedback with regard to tunnel licencing.
16	<p>Public Administration - Appointments. The implementation of reforms to modernise the public administration will be sustained. As part of this effort, Greece will complete reforms to modernise human resource management in the public sector, and in particular the appointment of Administrative Secretary Generals and all Directors General according to law 4369/2016 by end-2018.</p>	<p><u>Director-Generals</u>: all appointments (90 posts) have been completed. <u>Administrative Secretaries</u>: to date no appointment (of 69) has been made and as complementary actions, the authorities have adopted a law on strategic recruitment (also linking the hiring plan with the Medium-Term Fiscal Strategy) and strengthening the capacity of the Ministry of Administrative Reconstruction and: (i) provided an updated timeline for the completion of the recruitments of Administrative Secretaries by end 2019; (ii) agreed with the Commission the modalities of the independent assessment of the appointment cycles of Administrative Secretaries and Director-Generals to be completed by June 2019 with follow-up measures adopted by September 2019; (iii) committed to a specific road map on the streamlining job qualifications ('klados'), (iv) committed to update the census ('apografi') database to also report on - flows of permanent staff of legal entities of private law and insert a category of temporary staff of legal entities of private law being paid by NSRF/other sources; (v) committed to launch the first calls for Heads of Division appointments by end-March 2019. As a complementary measure, the authorities have completed the following actions: related to <u>legal codification</u>, the approval decision for the 'digital portal' tender has been adopted (5 March 2019). The legal provisions for the 'Central Committee on Codification' have been issued for public consultation and have been submitted to the Parliament (26 March 2019). In addition, related to the important <u>HR reform of the public revenue administration</u>, the authorities, on 6 March 2019 have adopted an amendment that allows the implementation of the first-stage linking of grading to job descriptions for IAPR (FEK A 48/2019, Article 64).</p> <p>Ongoing discussions with the authorities concerning salary provisions included in a draft law of the Ministry of Economy and Development. Institutions have expressed concerns that the suggested amendment to extend the so called 'personal difference' could result in undermining the overall principles of the unified wage grid reform.</p>