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# Enhanced Surveillance Report

## Greece, May 2022

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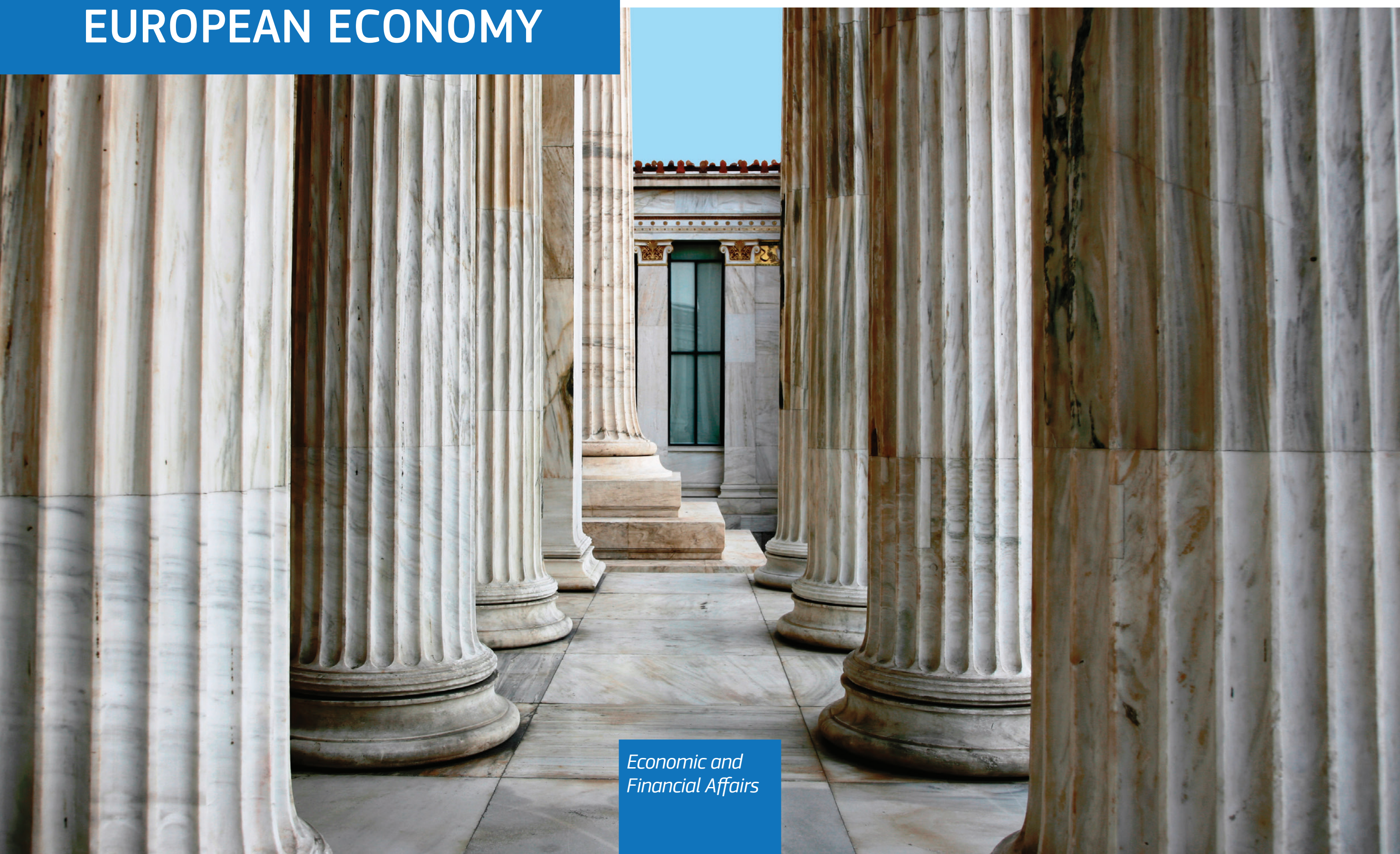
EUROPEAN ECONOMY



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European Commission
Directorate-General for Economic and Financial Affairs

# Enhanced Surveillance Report – Greece, May 2022

## Communication from the Commission and accompanying Commission Staff Working Document

EUROPEAN ECONOMY

Institutional Paper 178

# ABBREVIATIONS

AIA: Athens International Airport
ASEP: Supreme Council for Civil Personnel Selection
DEPA: Public Gas Corporation
DESFA: Hellenic Gas Transmission System Operator
EFKA: Single Social Security Fund
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
EYATH: Thessaloniki Water Supply and Sewerage Company
EYDAP: Athens Water Supply and Sewerage Company
FEK: Government gazette
GDP: Gross Domestic Product
GRECO: Group of States against Corruption
HCAP: Hellenic Corporation of Assets and Participations
HELPE: Hellenic Petroleum
HFSF: Hellenic Financial Stability Fund
ICT: Information and Communication Technologies
KW: Kilowatt
MREL: Minimum Requirement for own funds and Eligible Liabilities
NOME: Nouvelle Organisation du Marché de l'Electricité (New Organisation of the Electricity Market)
OAKA: Olympic Athletic Centre of Athens
OASA: Athens Urban Transport Organization
OSDDY-PP: Integrated Management System for Judicial Cases for Civil and Criminal Procedure
PHC: Primary Health Care
PPC: Public Power Corporation
PRISPECO: Pricing and Specifications of Construction Works and Design Services Company
RRF: Recovery and Resilience Fund
SME: Small and Medium-sized Enterprise
SOE: State Owned Enterprises
SSI: Social Solidarity Income
TAIPED: Hellenic Republic Asset Development Fund
UGS: Underground Natural Gas Storage

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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. Since 2018 and the end of the financial assistance programme, they have also been monitored 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]) acknowledged the fact that Greece needed 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 following the completion of the financial assistance programme.** 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**, i.e. to continue and complete reforms adopted under the financial assistance programmes and to ensure that the objectives of the important reforms adopted under the financial assistance programmes are safeguarded. In that context, enhanced surveillance has served to monitor 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 fourteenth enhanced surveillance report for Greece.** The report is based on the findings of a mission held on 6 April 2022 and regular dialogue with the Greek 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 mid-2022.

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([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 from 28 to 31 March 2022.

**This report could serve as a basis for the Eurogroup to decide on the release of the next set of policy-contingent debt measures worth EUR 748 million.** These measures were agreed with the Eurogroup on 22 June 2018 and include the transfer 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 a waiver for the step-up interest margin for certain loans provided by the European Financial Stability Facility. The sixth tranche of policy-contingent debt measures was released following the Eurogroup on 6 December 2021.

**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.** The decision on the release of the remaining debt relief measures will be taken by the Eurogroup. Taking account of the progress towards completion of commitments, the release of the final tranche of debt measures could take place end-2022. This report also sets out the specific commitments, which can provide a basis for the Eurogroup to decide on the release of this final tranche of debt relief measures. While the authorities have delivered on the majority of their commitments, some elements remain to be fully completed. Thus, the list of commitments to serve as a basis for the final disbursement consists of remaining steps. The list is agreed with the Greek authorities and can be found in annex to this report.

**The successful delivery of the bulk of the policy commitments and the effective reform implementation have improved the resilience of the Greek economy and strengthened its financial stability. This has significantly reduced the risks of adverse spill-over effects on other Member States in the euro area, hence effectively addressing the condition underpinning the application of enhanced surveillance.** The authorities remain committed to reform implementation and to completion of outstanding elements. On the basis of these considerations, the European Commission may not prolong enhanced surveillance after its expiration on 20 August 2022. If enhanced surveillance is not prolonged, the monitoring of Greece's economic, fiscal and financial situation would continue in the context of both the well-established post-programme surveillance (5) and the European Semester. Major reforms and investments would also continue to be followed in the context of the delivery of Greece's recovery and resilience plan (6). Monitoring of the specific commitments to serve as a basis for the final tranche of debt measures would be undertaken in a first post-programme surveillance report to be issued in November 2022.

## OVERALL ASSESSMENT

**Following a strong rebound in 2021, the post-pandemic recovery is set to continue in 2022 at a somewhat weaker pace, as it is affected by higher energy prices and the economic impact of the Russian military aggression against Ukraine, amidst lingering uncertainty related to the pandemic.** According to the Commission 2022 spring forecast, growth is expected to reach 3.5% in 2022 and 3.1% in 2023. Investment is forecast to be the

(5) 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.

(6) https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/greeces-recovery-and-resilience-plan_en.

main driver of growth, but private consumption and net exports will also contribute to the increase of economic activity. The general government primary deficit monitored under enhanced surveillance reached 5.5% of GDP in 2021, which is 2.1 percentage points lower than expected in autumn last year. The positive surprise stems mainly from to the quick economic recovery. Fiscal policy remains supportive in 2022 as some of the pandemic-related emergency and support measures are still in place for the year, whereas temporary fiscal measures were taken to address the impact of the energy price increases in 2022. In its 2022 Stability Programme, the government plans to reach a 1.1% of GDP primary surplus in 2023 and further decrease the high public debt ratio ([7]). Most support measures related to the energy price increases or the pandemic are set to be phased out by 2023. At the same time, the government plans to support growth by making permanent the reduction in the solidarity tax and social security contributions implemented during the pandemic. On the back of the economic recovery, the unemployment rate decreased to 14.7% in 2021, down from 17.6% in 2020 and its peak of 27.8% in 2013. While still one of the highest in the EU, it is expected to decrease further in 2023. Going forward, employment growth is expected to remain resilient in view of the still robust economic growth. The at-risk-of poverty rate remains high (17.7% in 2020).

**Overall, this report concludes that Greece has taken the necessary actions to achieve its specific commitments, despite the challenging circumstances triggered by the economic implications of new waves of the pandemic as well as of Russia's military aggression against Ukraine.** The authorities have completed a number of specific commitments in the areas of public financial management, property taxation, disability benefits, environmental inspections and justice, and agreed on the extension of the mandate of the Hellenic Financial Stability Fund. Greece also completed wider structural reforms including the public procurement reform and setting up a Justice Statistics department at the Ministry of Justice.

**The Greek authorities remain committed to reform implementation and have committed to continue implementing actions to progress with outstanding commitments.** 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 complete all agreed reform steps in time for the decision on the final disbursement at end-2022, in particular as concerns reforms in the area of financial sector policies, primary health care, cadastre, codification of the labour legislation, and reaching the agreed targets for the clearance of arrears.

**The remainder of this section recalls the progress made in the framework of enhanced surveillance in the six key areas of Greece's commitments, assesses the latest achievements over the last quarter (the "current reporting period") and presents remaining reform steps under existing commitments.**

Fiscal and fiscal structural policy

Greece achieved its **primary surplus target** of 3.5% of GDP in 2018 and 2019. Following the outbreak of the pandemic, the European Commission activated in 2020 the general escape clause, which allows for a temporary departure from the budgetary requirements, including Greece's fiscal targets monitored under enhanced surveillance, provided that this does not

([7]) https://ec.europa.eu/info/sites/default/files/2022_el_stability_programme_en.pdf.

endanger fiscal sustainability in the medium term. In its Communication of 3 March 2021 ([8]), the Commission set out its view that the decision on the deactivation or continued application of the general escape clause should be taken as an overall assessment of the state of the economy, with the level of economic activity in the EU or euro area compared to pre-crisis levels (end-2019) as a key quantitative criterion. Heightened uncertainty and strong downside risks to the economic outlook in the context of war in Europe, unprecedented energy price hikes and continued supply chain disturbances warrant the extension of the general escape clause of the Stability and Growth Pact through 2023.

As regards fiscal structural reforms completed in the context of enhanced surveillance, Greece has improved its public financial management by completing a **cash monitoring and forecasting reform** for its treasury account system, and reformed the remuneration structure of the **Independent Authority for Public Revenues** by adopting a special wage grid, so as to allow it to retain and attract high calibre staff. This special wage grid complements the unified wage grid adopted under the financial assistance programme and could serve as a basis for other entities.

**In the current reporting period**, the authorities have completed further commitments in the area of public financial management and tax policy:

- In the area of public financial management, the authorities have completed the work on further refinements of the functional budgetary classification (part of the **chart of accounts reform**). This reform will allow for a deeper analysis of public expenditure and thus help improve the design of economic policy.

- The authorities have also completed the implementation of more than 200 **recommendations by the Hellenic Court of Auditors** to prevent the accumulation of arrears as well as a broader reform simplifying fiscal procedures and accelerating the payment chain in the public sector.

- The authorities have completed a reform of the **ENFIA property tax**. The reform applies new market-related property tax values, widens the tax base and improves the fairness and economic efficiency of the property tax. The authorities have issued the post-reform tax assessment bills for 2022 and the payment of the first instalment of the tax is due in May.

**By October 2022**, the authorities have committed to deliver the following steps:

- Non-pension and pension **arrears** are expected now to be cleared by August 2022, which will complete the commitment. Following a slow-down in the pace of arrears clearance in the first months of 2022, this represents a delay of six months as regards non-pension arrears and two months as regards pension arrears, compared to plan. The delay has been largely caused by the continued pandemic, the hike in energy prices, slower-than-planned delivery of planned IT enhancements and lower than expected yield of previous measures. The authorities have proposed, and already partly implemented, a set of additional actions to speed up the clearance process. The

([8]) Communication from the Commission to the Council on one year since the outbreak of COVID-19: fiscal policy response, Brussels, 3.3.2021, COM(2021) 105 final.

actions include measures to improve, on a structural basis, liquidity of hospitals and public transport companies, and targeted changes in the process of awarding pensions.

- In the area of **tax administration**, the IT collection system is to be fully operational in all services of the Independent Authority for Public Revenues by September 2022, which will complete the commitment. The system is expected to strengthen the tax collection capacity of the Authority. Four out of seven modules are now operational in the central tax administration services and the remaining three are to be operational by September 2022, in line with the agreed timeline.

Social welfare

In the context of enhanced surveillance, Greece has modernised its social welfare system by completing the set-up of the **Single Pension Fund**, completing the roll-out of all three pillars of the **Social Solidarity Income**/Guaranteed Minimum Income scheme and adopting a new delivery model for active labour market policies. So far there have been approximately 400 000 recipients of the Guaranteed Minimum Income and it is estimated that in the next two years all of them will have received an individualised action plan. As a result of the reforms and the economic recovery, the share of people at risk of poverty decreased from 20.2% in 2017 to 17.7% in 2020, but remains among the highest in the EU. Greece also reviewed the system of **subsidies for local public transport**, set up the main body responsible for **centralised health procurement** (EKAPY) and achieved a 30% share of centralised procurement in total hospital expenditure.

**In the current reporting period**, the authorities have completed another commitment in the area of disability assessment and progressed according to schedule on the collection of health-care clawbacks:

- The authorities adopted legislation to introduce a new **disability assessment** approach based on both medical and functionality-related criteria. This new approach represents a significant improvement compared to the current system, where disability is assessed based on purely medical evaluations. Notably, the adopted legislation sets up multidisciplinary assessment committees made up of psychologists, occupational therapists and social workers who will apply a methodology suggested by the World Health Organisation for assessing functionality aspects of examined persons (named WHODAS 2.0). The Committees will consider every-day difficulties in domains such as cognition, mobility, socialisation, professional life, self-care etc. on top of prior medical assessments. The approach will first be used on a pilot basis for 24 months starting in autumn 2022 for granting personal assistance benefits to 1 000 persons with disabilities.

- The collection of health-care **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.

**By October 2022**, the authorities have committed to deliver the following steps:

- Following the adoption of amendments to the primary legislation on the **primary health care system,** the authorities will adopt the secondary legislation by early-June

2022, which will specify the key elements of the system including incentives for patient registration and gatekeeping. The authorities have also committed to start patient registration, with the objective of reaching 25% of the total population registered in the system by the end of October and 50% by the end of 2022, and to complete the IT infrastructure for registration and appointments by end-June. By end-July, the registration of self-employed family doctors to the system will reach a level that allows to cover at least 85% of the population. By October, the authorities will activate the incentives/disincentives scheme for registration and gatekeeping. Reforming the primary health care system represented a key component of the financial assistance programme with the overarching objectives of enhancing citizens' access to health care services and strengthening governance and efficiency. Population registration and an effective system of gatekeeping are key defining elements conducive to delivering on these objectives. In the new framework, these key elements are pursued by means of financial incentives. Such a system, if fully implemented, has the potential to deliver on the objectives. At the same time, it creates challenges to ensure equal access and to deliver on the objective of full population coverage, which will need to be carefully monitored.

- The mid-2022 target of a 40% share of **centralised procurement** in total hospital expenditure is to be met, which will complete the commitment. The authorities are encouraged to proceed swiftly with the issuance of the planned tenders to reach the target.

Financial stability and justice reforms

**Following an outstanding year in non-performing loans reduction in 2021, the focus gradually moves to the workout of non-performing debt for viable debtors, as well as to a sustainable improvement of banks' profitability and capital position.** The non-performing loan ratio stood at 12.8% on a solo basis in December 2021, having declined strongly from 30.1% at end-2020 and 40.6% at end-2019. Making use of securitisations under the Hercules Asset Protection Scheme, two of the four systemic banks have recorded a single-digit non-performing loan ratio as of end-2021, while the other two are expected to meet the same target at the latest by the end of 2022. Nevertheless, the non-performing loan ratio in Greece remains the highest in the euro area. In addition, the limited net inflow of new non-performing loans ([9]) has continued in the fourth quarter of 2021 and will need to be closely monitored, as risks to banks' asset quality persist. Moreover, the successful resolution of non-performing debt increasingly depends on servicers, in charge of servicing securitised and sold loans. While the clean-up of banks' balance sheets continued to reduce banks' capital buffers and profitability, the outlook for 2022 benefits from reduced provisioning needs and internal capital generation through improved core profitability. Still, banks' capital position remains one of the lowest in the euro area and its quality continues to be a concern, as it contains a high and increasing share of deferred tax credits. Increased uncertainty around the economic outlook in the wake of Russia's aggression against Ukraine could weigh on credit growth going forward.

([9]) 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.

As regards financial sector reforms completed in the context of enhanced surveillance, Greece fully lifted **capital controls** imposed during the financial assistance programme, completed a major reform of the **insolvency framework**, including an **out-of-court workout** scheme and providing **financial training to judges** to implement those reforms, while just starting to put in place the sale-and-leaseback entity. The Hellenic Financial Stability Fund developed an **exit strategy** for the sale of the stakes owned in the systemic banks and Greece confirmed the **alignment of the mandate of its Selection Panel** with that of the Fund.

**In the current reporting period**, there has been further progress with the implementation of the agreed actions in the financial sector, but challenges remain, in particular with respect to clearing the backlogs of household insolvency cases and called state guarantees. The authorities have completed a commitment related to the Hellenic Financial Stability Fund and launched a tender for the integrated case management system for courts:

- The platforms under the **new insolvency framework** are gradually yielding results, particularly with respect to out-of-court settlements, and further improvements are continuously being developed.

- The upward trend in the assignment of new hearing dates for pending **household insolvency cases** has been maintained but the number of final court decisions is limited.

- Similarly, the **conduct of auctions** is gaining traction, and an increasing share of the assets transferred through successfully concluded auctions is being acquired by entities other than banks or servicers.

- Despite some improvements, the timeline for the clearance of the **backlog of called state guarantees** has been amended to reflect the accumulated shortfalls in the pay-out of called guarantees and unexpected legal challenges preventing the payment of certain claims. The authorities are assessing potential solutions to limit the resulting delays in the payment of such claims and remain committed to keep the deadline for the completion of all payments unchanged, i.e. by the second quarter of 2024. The adoption of the new Code on the Organisation of Justice and the Status of Judges is expected to facilitate a speedier clearing of legacy backlogs, as well ensure the smooth functioning of the new insolvency framework.

- The concessionary process for the setup of the **sale-and-lease-back entity** is expected to be launched in May, and an interim support scheme for vulnerable debtors is being put in place to ensure a smooth transition during the period needed until the new entity commences operations, which is not expected to exceed 15 months.

- The authorities have agreed a reform of the **Hellenic Financial Stability Fund** with the European institutions. The law is expected to be adopted shortly. The duration of the Fund has been extended until the end of 2025 to allow the Fund to fulfil its dual objective of effectively divesting its assets while also contributing to the stability of the Greek banking system. The reform streamlines the Fund's governance structure and outlines a set of principles that will guide its divestment strategy. The Fund's special rights have also been streamlined.

- The authorities have launched the tender for the **integrated case management system** for civil and criminal cases (OSDDY-PP). The contract is expected to be awarded by end-2022 and implemented in the following 36 months.

**By October 2022**, the authorities have committed to deliver the following steps:

- **E-filing in administrative courts** is to be fully completed and the authorities are committed to achieve this by end-June 2022, which will complete the commitment. The implementation has seen progress and the platform enabling the filing of initial submissions, memoranda and procedural documents in the context of pending procedures is ready and will be fully operational in June 2022. The extension of functionalities has been launched in a pilot phase, two months later than previously envisaged, due to delays on the side of the contractor.

- Take a number of specific steps under the **agreed actions in the financial sector**, in particular as regards the clearance of the backlog of household insolvency cases and the backlog of state guarantees.

The authorities will also table in Parliament a broader reform in the area of justice, namely a new **Code on the Organisation of Justice and the Status of Judges**. The code will introduce numerous improvements regarding the performance of judicial duties, the professional assessment and advancement of judges, their disciplinary framework and measures to enhance the effectiveness and efficiency of judicial proceedings. The code was submitted to the General Secretariat for Legal and Parliamentary Affairs on 13 May 2022 and is to be tabled to Parliament by end-May. It will enter into force immediately thereafter, with the notable exception of the rules on evaluation of judges, which will enter into force at the beginning of the new judicial year. Moreover, the authorities will adopt by end-May the final piece of secondary legislation to operationalise the Justice Statistics (JustStat) department, tasked with the collection, aggregation, processing and publishing of judicial data from the courts and prosecutor's offices of Greece; the department is also expected to safeguard and improve, on a permanent basis, the quality of judicial statistics.

<u>Labour and product markets</u>

As regards labour and product market reforms completed in the context of enhanced surveillance, Greece completed the implementation of the action plan on **undeclared work**, updated the **minimum wage** in accordance with the procedure stipulated in Law 4172/13 in February 2019 and January 2022, revised the **nuisance classification**, simplified **investment licensing procedures** in agreed sectors, including transport, education, tourism, social welfare, and aquaculture and awarded a contract for the deployment of the relevant **information system**. In the energy sector, Greece launched the **Target Model** for the electricity market and agreed to an **anti-trust remedy** allowing the competitors of the Public Power Corporation, the Greek state-owned electricity incumbent, to purchase more electricity on a longer-term basis, thereby drawing to a close a long-standing anti-trust case.

**In the current reporting period**, the authorities have implemented an update of the minimum wage and completed another commitment in the area of inspections for the supervision of economic activities and product markets:

- In response to the high inflation, the authorities implemented an **increase in the minimum wage** on 1 May 2022, representing a second increase for 2022, following the established, yet advanced and shortened, consultation process. The minimum wage increased by 7.5% on 1 May 2022 ([10]). The increase follows a modest increase of 2% implemented on 1 January 2022, following a three-year freeze of the minimum wage. The authorities followed the steps outlined in amended law 4172/13 for determining the minimum wage. In the context of the consultation process, modest to more significant increases were suggested by the various social partners, research institutes and other contributors to mitigate losses in purchasing power due to the high inflation and to protect low-income workers, given that almost 28% of employees in the country receive a minimum wage. The authorities estimate that the real wage increase in 2022 would not outperform productivity growth – in fact, they expect real compensation of employees per head in the economy as a whole to decrease strongly in 2022 despite the increase in the minimum wage. These estimates are broadly in line with the Commission 2022 spring forecast, which nonetheless expects a stronger impact of the minimum wage on aggregate wage growth overall, while the real compensation of employees per head is also projected to decline. Competitiveness, as measured by unit labour cost ([11]), had improved before the pandemic largely on the back of a decrease in wages and increasingly supported by productivity gains. In 2021, labour productivity ([12]) grew by 7.8% and its growth rate is expected to reach 2.0% on average in 2022 and 2023. Taking this into account together with the expected impact of the minimum wage increase on overall wage growth, Greece's unit labour cost is expected to mildly deteriorate over the same period but less so than in the EU as a whole. Greece's export base nevertheless remains focused on products with a low level of technological sophistication and the exports to-GDP ratio is low, despite recent improvements ([13]).

- The authorities completed the reform of the **inspections framework**, through adopting the last remaining secondary legislation in the area of environmental protection. The legislation allows for the activation of the enforcement management model, a system that helps inspectors to make enforcement decisions in line with predetermined criteria and facilitates a harmonised approach in the application of the enforcement system.

**By October 2022**, the authorities have committed to deliver the following steps:

- Complete the **legal codification of the labour legislation**. While the codification process has started, the deadline for the adoption of the consolidated texts, which will complete the commitment, has been postponed to October 2022 due to a recent significant reform of the Public Employment Service that needed to be included in the codification process. The draft codified legislation will be presented by June.

- Regarding the **cadastral reform**, cadastral mapping has continued to progress according to plan in the past quarter and 65% of total property rights will be in operation or publicly presented by end-September 2022. The ratification of the forest

(10) In levels, the minimum wage increased from EUR 663 on 1 January 2022 to EUR 713 on 1 May 2022 calculated on a 14-month basis or EUR 831.8 calculated on a 12-month basis.

(11) The unit labour cost (ULC) is defined as the ratio of the nominal compensation per employee to the real GDP per person employed.

(12) Productivity is defined as the gross domestic product per occupied person.

(13) For a detailed analysis on Greece's export performance, see also Commission's 2022 In-depth Review for Greece.

maps has been further delayed, which could further prolong the timeline for the completion of the cadastre. The delay is due to a recent legal amendment which has removed the status of ‘forest’, i.e. the presumption of public ownership, from about 5% of the country’s area. While this amendment is solving some long-standing issues, it will require a revision of the existing contracts for cadastral mapping and expose the cadastre reform to a risk of new legal challenges. The timeline for the ratification of 95% of the forest maps has been delayed by two months to September 2022 to reflect the new situation. In order to avoid further delays to the completion of the ratification of forest maps and the completion of the cadastral mapping, the authorities have agreed to adopt a legal provision allowing for the withdrawal of public ownership in the above mentioned 5% of Greece’s land area. The pace of establishing of the new offices of the Hellenic Cadastre has slowed down due to lack of managerial staff, but their recruitment is in progress. The authorities are urged to adhere to the revised timeline and to complete the full reform by December 2022.

Regarding broader reforms implemented in this reporting period, the authorities adopted the final piece of secondary legislation critical for the implementation of the **public procurement law**. The legislation concerns the set-up of a new legal entity, which will develop and maintain a new integrated system for technical specifications and costing of technical works. The authorities have also prepared and approved in the Council of Ministers a **higher education bill**. The law modernises and enhances the organisational and educational autonomy, flexibility and efficiency of higher education institutions, and decentralises and streamlines their governance. The bill is expected to be tabled to Parliament in June 2022.

Hellenic Corporation of Assets and Participations and privatisation

In the context of enhanced surveillance, the Hellenic Corporation of Assets and Participations adopted its first two **Strategic Plans in 2018 and 2022**, implemented a range of **governance reforms** for the state-owned enterprises in its portfolio and completed extensive cycles of **board reviews and appointments at these enterprises,** initiated **turnaround interventions** in key state-owned enterprises (though real estate management remains a critical attention point), and began delivering **dividend revenue streams**. The Hellenic Republic Asset Development Fund closed a number of privatisation transactions, including for the **Hellinikon** transaction, the extension of **Athens International Airport concession agreement**, the sale of 66% of the natural gas transmission system operator **DESFA,** and the **Marina of Alimos concession**, for privatisation proceeds amounting to EUR 2.4 billion.

**In the current reporting period,** the **Hellenic Corporation of Assets and Participations** has started to implement its Strategic Plan approved in January 2022, including board renewals in companies in its portfolio, but some of the actions have been scaled down due to uncertainty as to the Corporation’s dividend revenue path. The implementation of the Coordination Mechanism has progressed with the issuance of the secondary legislation necessary for the implementation of the performance contract with the Athens Urban Transport Organisation (OASA) and further steps to update the Statements of Commitments, setting out key performance indicators for state-owned enterprises in the Corporation’s portfolio. In the area of privatisation, the **implementation of the Asset Development Plan** has progressed and the updated Plan has been adopted, laying down the next steps for the transactions included in it.

**By October 2022**, the authorities have committed to deliver the following steps in relation to public asset management and the Corporation:

- Adopt legislation for the **modernisation of the institutional framework for state-owned enterprises,** including the independent commercial operation of companies in the Corporation's portfolio. Following the submission of the draft legislation to Parliament, the reform is expected to be adopted by June. This is expected to be a significant reform strengthening the governance of state-owned enterprises.

- Outline a comprehensive strategy for the **Public Real Estate Company** to achieve an ambitious yield for the entire real estate portfolio. The Corporation expects this to be ready by end-May 2022.

- Launch the detailed feasibility study for the **Olympic Athletic Centre (OAKA)**, as part of its future transfer to the Hellenic Corporation of Assets and Participations. The authorities expect this to be done by June 2022.

- Complete **the transfer of the eligible real estate assets** included in the 2018 package of the Public Real Estate Company.

Specifically regarding privatisation transactions under the Asset Development Plan, the authorities will actively seek to make progress in the follow areas:

- The Hellenic Republic Asset Development Fund (TAIPED) is close to completing the privatisation of the **Public Gas Corporation (DEPA)** Infrastructure which is expected to be successfully privatised for a considerable financial offer of EUR 733 million (for the 65% stake of the Fund this corresponds to EUR 476 million). The privatisation transaction is of significant importance as the purchaser, an Italian company, is expected to contribute to improving and expanding the gas distribution network of the country.

- Despite some progress, the works to finalise the construction works and licensing of tunnels on the **Egnatia** highway are accumulating delays and there is a risk that the highway will not be ready for the handover to the selected concessionaire by end-2022, as originally planned. This could result to compensations having to be paid by the state to the concessionaire, with the concessionaire assuming the works for construction and licensing and the related costs. The concession is worth an upfront payment of almost EUR 1.5 billion, on top of regular annual payments by the concessionaire.

- The ongoing tender process for the concession of the **underground natural gas storage in South Kavala**, which is particularly important in view of improving security of energy supply, can move ahead only once the Regulatory Authority for Energy issues a decision regarding its tariff setting framework. This decision has suffered delays and is now expected to be issued by end-May 2022.

- Other ongoing transactions, in particular those for the **regional ports** and the '**Gournes Heraklion**' (development of part of the former American military base on Crete) are progressing well. The authorities will continue with the implementation of the Asset Development Plan.

Public administration

In the context of enhanced surveillance, the authorities completed the appointment of **Permanent Secretaries** and all **Directors General** as part of the efforts to depoliticise the public administration, the envisaged cycles of **mobility and performance appraisals**, and key elements of the **integrated Human Resources Management System**, namely digital organisational charts and job descriptions, for the public administration. In view of enhancing legal certainty and access to law through legal codification, the authorities has awarded a contract that is expected to put in place a **National Gateway for Codification** by 2024. It also completed the implementation of its national **anti-corruption plan** for 2018-2021.

**In the current reporting period,** the authorities completed another commitment in the area of the fight against corruption:

- The authorities have put in place significant measures to implement the remaining three recommendations from the fourth evaluation round of the **Group of States against Corruption** (GRECO). Many of the measures will be introduced through the Code on the Organisation of Justice and the Status of Judges, which was submitted to the General Secretariat for Legal and Parliamentary Affairs on 13 May and is to be tabled to Parliament by end-May 2022. GRECO will formally reassess the recommendations in its 2023 report.

Regarding broader reforms implemented in this reporting period, the authorities have made progress to strengthen control over hiring and salaries of public officials. First, a needs assessment for permanent and temporary teachers has been prepared and is expected to be completed by end-May 2022, following the review by the Ministry of Education and Religious Affairs. This is expected to improve predictability of such positions, which in the past had led to large increases in temporary positions, which were often converted to permanent posts. Second, the authorities prepared legal amendments to address a number of observed deviations from the unified wage grid, which are expected to be adopted by end-May 2022. These include provisions to ensure consistent application of the remuneration for management posts and travel expenses. A new methodology for granting allowances for hazardous and arduous jobs has been finalised and is planned to be in place by August 2022. Finally, the appointment process for the Permanent Secretary post at the Ministry of Education and Religious Affairs has been launched and is expected to be completed by July 2022.

## MACROECONOMIC DEVELOPMENTS

**Despite the prolonged uncertainty due to the successive waves of the pandemic, the Greek economy recovered quickly in 2021, offsetting almost entirely the sharp economic decline from 2020.** Greece's real GDP grew by 8.3% in 2021, reflecting the better-than-expected tourism season, while private consumption recorded almost a full recovery to its pre-pandemic levels, on the back of the effective emergency income support implemented by the government and the use of accumulated savings. Growth was also driven by a notable boost in private investment, supported by the government support measures to businesses, and the gradual rollout of actions under Greece's recovery and resilience plan as well as the European Social Fund and the Cohesion Fund. Goods exports continued growing, as the country benefits from the recovery in the EU and other trading partners. At the same time, increasing energy prices continue to affect real incomes and the current account deficit.

Driven especially by the international energy price hikes, headline inflation increased considerably to 9.4% in April 2022, following an average rate of 0.6% in 2021.

**The economic developments in the first months of 2022, before Russia's military aggression against Ukraine, signalled that the recovery in Greece was gaining traction.** High frequency indicators for the first two months of 2022 pointed to increased private spending, while economic sentiment remained strong until end-February, as reflected both in consumers' and business confidence. Early indications for tourism showed that Greece was heading for a strong season, while the government was implementing support measures to partially cushion the negative effects from high energy prices on disposable income.

**Russia's invasion of Ukraine is forcing a reassessment of the economic outlook for all Member States, including Greece.** The war is expected to affect the Greek economy through three main channels. First and foremost, the war has further increased global energy prices, which are expected to aggravate domestic inflationary pressures and erode the real disposable income of households. However, the government support measures, the increase in the minimum wage from May 2022, and the still large accumulated savings are expected to partially cushion the negative effects on private consumption. Secondly, while the direct exposure of the financial sector to Russia is very limited, the heightened uncertainty and risk aversion, along with increased supply bottlenecks may delay the kick-off of some new investment projects. Finally, export growth is likely to decrease in view of the slowdown projected for the EU and the global economy as a whole. Tourism is nevertheless expected to remain resilient, as the tourists coming from Russia, Ukraine and Belarus represent only a small share in the total number of tourists. Against this background, the Commission 2022 spring forecast projects that real GDP would grow by 3.5% in 2022 and 3.1% in 2023.

**Inflation is expected to peak in the second quarter of 2022 and remain high thereafter, before easing in 2023.** The main drivers of the rise in inflation are the increasing international oil and gas prices, while food prices are affected by a surge in key input costs, such as fertilizers and transport. Headline inflation is projected to reach 6.3% in 2022, and 1.9% in 2023.

**The situation in Greece's labour market has further improved, but unemployment remains one of the highest in the EU.** The targeted employment support measures in sensitive sectors have allowed employers to retain employees following the outbreak of the coronavirus crisis and facilitate the recovery of the economy. Job creation showed a strong growth in the second half of 2021, which is expected to continue also in 2022, despite the overall slowdown in economic activity due to the inflationary pressures in that year. According to the Commission 2022 spring forecast, the unemployment rate is forecast to, reach 13.7% and 13.1% in 2022 and 2023, respectively. Long-term unemployment – in a downward trend since 2015 – further decreased from 10.5% in 2020 to 9.2% in 2021. The increase in the minimum wage as of May 2022 is set to support nominal wage growth in the second half of the year, given that almost 28% of employees in the country receive a minimum wage ([14]). The tax cuts announced for 2023 are expected to have a positive effect in disposable income, investment, and employment (see section on fiscal developments below).

**Russia's military aggression against Ukraine has magnified the downside risks surrounding the economic outlook**. The forecast relies on technical assumptions concerning

([14]) Bank of Greece, Evaluation of the current legislated minimum wage increase, April 2021.

the duration and severity of the global energy price hikes and the disruptions in the global value chains. Estimates for the spending outlook of domestic households and the investment dynamic are highly sensitive to these assumptions. A disruption of the supply of energy resources to Greece represents another downside risk. Uncertainty also concerns the tourist season, as real household disposable incomes in countries, from where tourists originate, may be reduced by inflation, although early bookings remain strong. On the upside, the strong performance in exports of goods over the previous period of heightened supply-side disruptions indicate that Greece's exports have become resilient, which could result in a stronger outlook for the external performance of the country.

Table 1: **Summary of main macroeconomic variables (%)**

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| Real GDP growth | 8.3 | 3.5 | 3.1 |
| Employment growth | 0.5 | 1.2 | 1.2 |
| Unemployment rate | 14.7 | 13.7 | 13.1 |
| Harmonized index of consumer prices growth | 0.6 | 6.3 | 1.9 |

***Source:*** European Commission

## FISCAL DEVELOPMENTS

**Greece's primary deficit monitored under enhanced surveillance reached 5.5% of GDP in 2021.** This is 2.1 percentage points lower than projected in the Commission's 2021 autumn forecast. The improvement is attributable mainly to faster growth of nominal GDP as well as a more favourable evolution of tax bases, especially of corporate and personal income. This explains around 1.8 percentage points of the improvement. Also related to the recovery, spending on social benefits was less than anticipated.

**Most fiscal measures adopted to mitigate the social and economic costs of the pandemic will be phased out in 2022**. Most of the measures have already been lifted by May 2022 and the remaining ones will be gradually phased out until the end of the year, e.g. an extended recruitment subsidy programme to create 50 000 new jobs by subsidising social security contributions for six months for each new employment contact and increased healthcare expenditure partly linked to the vaccination campaign. The fiscal impact of the pandemic-related measures is expected to reach 1.8% of GDP in 2022, down from 7.2% of GDP in 2021.

**In light of the surging energy prices, the government has adopted significant temporary measures to mitigate their negative impact on households and businesses.** The total volume of these measures are estimated at 2.3% of GDP in 2022 but their direct budgetary impact is limited to 1.1% of GDP as part of these expenditures is covered by the windfall revenues from the renewable sources prompted by the increase in electricity prices (1.2% of GDP). These measures include:

i) Measures to alleviate the increased cost of *electricity consumption and of gas used for heating:*

   They consist of subsidies to households and enterprises linked to the excess of current electricity prices over a given threshold. For households, the subsidy covers on average

80% of the price increase above the threshold (i.e. 90% of the increase for the first 150 KWh consumed monthly and 70% of the increase for the next 150 KWh), while the coverage is 95% for vulnerable households. No subsidy is given for the part of consumption above 300 KWh. Enterprises benefit from a subsidy, which covers 40% and 30% of the price increase in the first and second semester of 2022, respectively. Very small enterprises were granted an additional subsidy for the first four months of 2022, covering in total 80% of the price increase for the consumption of this period. The authorities also granted an additional heating allowance to alleviate the impact of the sharp increase in natural gas prices for the period January-April 2022. The total size of these subsidies are expected to reach 1.9% of GDP until the end of the year with an expected budgetary cost of 0.7% of GDP. The level of the above-mentioned subsidies is determined by a formula which ensures that the measure is temporary and will expire once the energy prices would fall below a given threshold. The authorities plan to use the increased revenues from the emissions trading system to cover the expected budgetary cost of the measure.

ii) Measures addressing the *impact of high inflation on vulnerable households:*

A voucher of EUR 200 was granted to vulnerable households including low-income pensioners, beneficiaries of disability benefits and non-insured older people. An additional instalment of the guaranteed minimum income and child benefit were paid in April 2022 in order to mitigate the impact of increased inflation. In addition, a subsidy was granted to breeders of animals to compensate the increased cost of animal feed. The fiscal cost of these one-off payments is estimated at 0.2% of GDP in 2022.

iii) Measures addressing the impact of the *high fuel prices:*

The authorities decided to subsidise, for three months, the cost of fuel to individuals with a declared annual family income of up to EUR 30 000 in the form of a pre-paid card worth of EUR 40. In addition, the diesel price is subsidised with EUR 0.12 per litre while taxi drivers received a one-off benefit of EUR 200 for the increased fuel costs. The fiscal cost of these measures is expected to reach 0.1% of GDP in 2022.

iv) Targeted *tax cuts*:

The authorities decided to extend the reduced value added tax rate for transport until December 2022, which would otherwise expire in June 2022, to decrease the value added tax rate for agricultural fertilizers from 13% to 6% from April 2022 onwards, and to refund the special levy on diesel for farmers collected for 2022. The loss in revenues is estimated at 0.1% of GDP.

**Given that the expenditures are expected to exceed the original budget ceilings, the authorities adopted a supplementary budget of EUR 2 billion (1.0% of GDP) in early-April.** This allows for increased spending on measures and costs for general government entities related to the high energy prices. To cater for uncertainty the Commission assumes additional appropriations of 0.4% of GDP for 2022, which are also included in Greece's Stability Programme projections. These appropriations are expected to be voted through a second supplementary budget by September 2022.

**The Commission 2022 spring forecast expects that the primary balance will be in deficit of 1.9% of GDP in 2022 and reach a surplus of 1.3% of GDP in 2023, which is aligned with the projection of the authorities**. The improvement in the budgetary position compared to 2021 is mainly due to the ongoing economic recovery and the phasing out of the fiscal support measures. Greece's 2022 Stability Programme has very similar projections, with a projected primary deficit of 2.0% of GDP in 2022 ([15]) and a primary surplus of 1.1% of GDP in 2023.

**The forecast factors in the authorities' plan to make permanent two growth-friendly tax cuts in 2023, the implementation of which is presented in the Stability Programme as contingent on compliance with the applicable EU fiscal rules.** The authorities indicated in their Stability Programme that they intend keep in place as of 2023 the current reduced rate of social security contributions and of the solidarity surcharge. These measures aim to reduce the high tax burden on households (before the pandemic, the tax wedge on labour in Greece was two percentage points higher than the euro area average [16]), support labour demand and boost households' disposable income, which is expected to have a positive effect on consumption and the economic recovery in general. They build on measures originally introduced for 2021 and 2022 to alleviate the impact of the pandemic, which would expire at the end of this year. In particular, the measures make permanent the temporary three percentage point reduction in the social security contribution (1.8 percentage points of which is a cut in employers' contributions and 1.2 percentage points in employees' contributions) and the waiver of the solidarity surcharge granted during the pandemic. The solidarity surcharge applies to a different tax base compared with the personal income tax, which offers scope for further simplification of the tax system. The fiscal cost of these measures is estimated at 0.8% of GDP per year. According to the Stability Programme, the implementation of this policy action is contingent on its compliance with the European fiscal rules applicable from 2023 onwards.

**Following the submission of Greece's Stability Programme and the cut-off date of the Commission 2022 spring forecast, the government announced a new package of measures which aim to address the consequences of increased energy prices.** First, Greece announced a new mechanism to reduce the wholesale electricity price, which will be introduced as of 1 July 2022. Second, the existing subsidy scheme (see point i) above) will continue to apply until the end of 2022 and will be expanded from May 2022 to cover a larger share of the price increase for monthly consumption up to 300 KWh, monthly consumption above 300 KWh, and all residencies, i.e. not only the main residency. Finally, a retroactive subsidy will be issued to cover 60% of the electricity bills from December 2021 to May 2022 for the main residency. The size of these measures is projected to reach 0.4% of GDP in 2022. The authorities intend to cover the cost of these measures as well as the loss of revenues from the renewable sources due to the reduction of the wholesale price by a newly imposed extraordinary 90% levy on windfall revenues of the energy producers for the period from October 2021 to June 2022 (0.3% of GDP) and by the use part of the reserve (0.4% of

([15]) The fiscal deficit monitored under the enhanced surveillance is projected at 1.9% of GDP in 2022. The adjustments agreed under the enhanced surveillance framework are applied only until 2022.

([16]) Tax wedge for a two-earner couple with two children, with the principal earner earning the average wage while spouse earning 67% of the average wage. European Commission, DG TAXUD, Tax and benefits indicators database, 2022.

GDP), which was already included in the Commission 2022 spring forecast. Commission's services are currently assessing the compliance of the new measures with the guidance provided in the Commission Communication on REPowerEU ([17]) and relevant EU legislation.

**Notwithstanding the better-then-expected outturn of 2021, fiscal risks remain substantial**. The uncertainty surrounding the energy markets constitutes the biggest risks to the forecast because it might increase the cost of the energy subsidies and create pressures for additional support measures, even if increased revenues due to increase in energy prices would somewhat mitigate the cost. As regards the pandemic, while the short-term risk of extending further the existing emergency measures is fading out, the risk of the guarantees issued as part of the support measures to be called in the coming years still remains. 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 risks stem from the pending legal cases, most notably the case on the retroactive compensation for cuts in the supplementary pensions and seasonal bonuses and litigation cases against the Public Real Estate Company (ETAD). On the upside, corporate profitability may continue to outperform expectations as it did for the 2021 fiscal outcome.

## SOVEREIGN FINANCING

**Greece repaid its outstanding International Monetary Fund loans ahead of time.** Greece executed the early repayment of its remaining loans towards the Fund at the beginning of April 2022. The amount of the repayment reached EUR 1.9 billion. These loans would have matured mainly in 2023-2024 under the original schedule. The early repayment was made possible by Greece's improving financial position, favourable financing conditions and its high cash buffer. Greece is expected to make a partial early repayment of its loans under the Greek Loan Facility towards the end of 2022.

**The cash buffer remains high, supported by a new bond issuance and by the first instalment of the Recovery and Resilience Facility.** At the end of April 2022, Greece has successfully raised EUR 1.5 billion on the market by re-opening the books of the 7-year bond maturing in 2027. The achieved yield was 2.4%, which reflects that yields and spreads over the German Bund have remained relatively high compared to their level during the pandemic. The cash buffer reached about EUR 38 billion in the middle of April 2022 ([18]). This amount includes the first instalment of the Recovery and Resilience Facility worth EUR 3.6 billion which Greece received on 8 April 2022. Greece credit rating was upgraded to BB+ with stable outlook by Standard & Poor's at the end of April 2022 on account of the continuous improvement in Greece's policy effectiveness. With this, the country's rating by Standard and Poor's is only one notch away from investment grade.

([17]) Commission Communication on REPowerEU: Joint European Action for more affordable, secure and sustainable energy, COM(2022) 108

([18]) 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.

## DEBT SUSTAINABILITY ANALYSIS

**Following the publication of the Commission Fiscal Sustainability Report** ([19])**, the methodology used for the debt sustainability analysis for Greece has now been fully aligned with the Commission's horizontal approach used for all other Member States.** The current methodological update follows the alignment of the macroeconomic and interest rate assumptions already presented in the 12th enhanced surveillance report to the Commission's horizontal approach and concerns the assumptions for the fiscal policy. The fiscal assumption used so far in enhanced surveillance reports assumed a primary balance of 2.2% of GDP beyond the short-term forecast horizon, to be reached on average over the 2023-2060 horizon. This assumption was projected to be compliant with the Stability and Growth Pact based on an assessment performed in June 2018 on the basis of data available at that time. The revised methodology implements the no-policy-change fiscal assumption applied to all Member States in the Commission Fiscal Sustainability Reports and Debt Sustainability Monitors. In particular, it assumes that the structural primary balance remains constant as of the last forecast year (in this case 2023) ([20]).

**The no-policy-change fiscal assumption implies on average a higher nominal primary balance than the previous assumption over the full projection horizon.** Table 2 compares the primary balance assumptions applied in the previous report and the one applied in this one. In the short term, both follow the Commission 2022 spring fiscal forecast. The assumption of a constant structural primary balance implies, for the period between 2024 and 2026, a considerably higher primary balance than the one assumed earlier, on account of the positive and widening output gap forecast and the savings on public pension expenditure stemming from previous pension reforms (i.e. a lower cost of ageing). From the late 2020s, once the output gap closes, the primary balance decreases, but remains slightly above the previous assumption until the late 2050s, as implied by the current forecast of the structural primary balance and ageing cost assumptions. Towards the end of the horizon, a further decline in cost of ageing – other things equal – drives a significant improvement in the primary balance, reaching 3.6% in 2060 ([21]). The Commission horizontal approach assumes that reforms related to the pension system result in the fiscal savings presented in the 2021 Ageing Report ([22]) and all related savings are used for debt repayments.

([19]) This alignment was first implemented in the Fiscal Sustainability Report 2021, Institutional Paper 171.

([20]) The fiscal path for 2022-2023 is aligned with the Commission 2022 spring forecast. Beyond 2023, the primary balance applied in the present analysis is derived from the structural primary balance forecast for 2023 by adjusting it with the cyclical component, the cost of ageing, pension related taxes and property income.

([21]) On the back of the previous pension reforms, Greece's pension expenditure is assumed to decrease from 15.7% of GDP to 12% of GDP between 2019 and 2060.

([22]) The 2021 Ageing Report: Economic and Budgetary Projections for the EU Member States (2019-2070), Institutional Paper 148.

Table 2: Changes in the fiscal assumption

| | | 2022 | 2023 | 2024 | 2025 | 2030 | 2040 | 2050 | 2060 | average 2023-2060 |
|---|---|---|---|---|---|---|---|---|---|---|
| Primary balance (% of GDP) | Previous methdology | -1.9 | 1.3 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| | Current methdology (baseline) | -1.9 | 1.3 | 2.7 | 3.4 | 2.5 | 2.3 | 2.3 | 3.6 | 2.6 |

***Source:*** *Commission services*
***Note****: The primary balances presented in this table is in terms of the European System of Accounts 2010 and are based on the Commission 2022 spring forecast for 2022-2023.*

Table 3: Main assumptions of the baseline scenario

| | | 2022 | 2023 | 2024 | 2025 | 2026 | 2030 | 2040 | 2050 | 2060 | average 2023-2060 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Assumptions | Primary balance (% of GDP) | -1.9 | 1.3 | 2.7 | 3.4 | 3.7 | 2.5 | 2.3 | 2.3 | 3.6 | 2.6 |
| | Real GDP growth | 3.5 | 3.1 | 2.7 | 1.9 | 1.1 | 0.9 | 1.7 | 1.6 | 1.5 | 1.5 |
| | Nominal GDP growth | 8.4 | 5.2 | 4.9 | 4.1 | 3.4 | 3.3 | 4.0 | 3.6 | 3.6 | 3.7 |
| | Re-financing rate (10 year maturity) | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 3.0 | 3.9 | 4.0 | 3.1 |
| Results | Gross financing needs (% of GDP) | 19.2 | 14.4 | 8.2 | 7.6 | 12.8 | 11.2 | 11.6 | 10.0 | 5.1 | |
| | Gross goverment debt (% of GDP) | 185.7 | 180.4 | 172.0 | 164.9 | 159.8 | 141.1 | 97.8 | 62.4 | 31.6 | |

***Source:*** *Commission services*
***Note****: The primary balance presented in this table is in terms of the European System of Accounts 2010 and is based on the Commission 2022 spring forecast for 2022-2023.*

Table 4: Main assumptions of the scenarios

| | | 2022 | 2023 | 2024 | 2025 | 2030 | 2040 | 2050 | 2060 | average 2023-2060 |
|---|---|---|---|---|---|---|---|---|---|---|
| Nominal GDP growth (%) | Baseline scenario | 8.4 | 5.2 | 4.9 | 4.1 | 3.3 | 4.0 | 3.6 | 3.6 | 3.7 |
| | Higher risk premium scenario | 8.4 | 5.2 | 4.9 | 4.1 | 3.3 | 4.0 | 3.6 | 3.6 | 3.7 |
| | Low growth scenario | 8.4 | 5.2 | 4.9 | 4.1 | 3.3 | 3.3 | 3.0 | 3.0 | 3.2 |
| | Lower structural primary balance scenario | 8.4 | 5.2 | 4.9 | 4.1 | 3.3 | 4.0 | 3.6 | 3.6 | 3.7 |
| Re-financing rate (%) | Baseline scenario | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 3.0 | 3.9 | 4.0 | 3.1 |
| | Higher risk premium scenario | 2.2 | 2.2 | 2.2 | 2.2 | 3.3 | 3.4 | 3.9 | 4.0 | 3.5 |
| | Low growth scenario | 2.2 | 2.2 | 2.2 | 2.2 | 3.3 | 3.6 | 4.3 | 4.2 | 3.7 |
| | Lower structural primary balance scenario | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 3.0 | 3.9 | 4.0 | 3.1 |
| Primary balance (% of GDP) | Baseline scenario | -1.9 | 1.3 | 2.7 | 3.4 | 2.5 | 2.3 | 2.3 | 3.6 | 2.6 |
| | Higher risk premium scenario | -1.9 | 1.3 | 2.7 | 3.4 | 2.5 | 2.3 | 2.3 | 3.6 | 2.6 |
| | Low growth scenario | -1.9 | 1.3 | 2.7 | 3.4 | 2.5 | 2.3 | 2.3 | 3.6 | 2.6 |
| | Lower structural primary balance scenario | -3.2 | -0.9 | 0.5 | 1.2 | 0.3 | 0.1 | 0.1 | 1.4 | 0.4 |

***Source:*** *Commission services*
***Note****: The primary balances presented in this table is in terms of the European System of Accounts 2010 and are based on the Commission 2022 spring forecast for 2022-2023.*

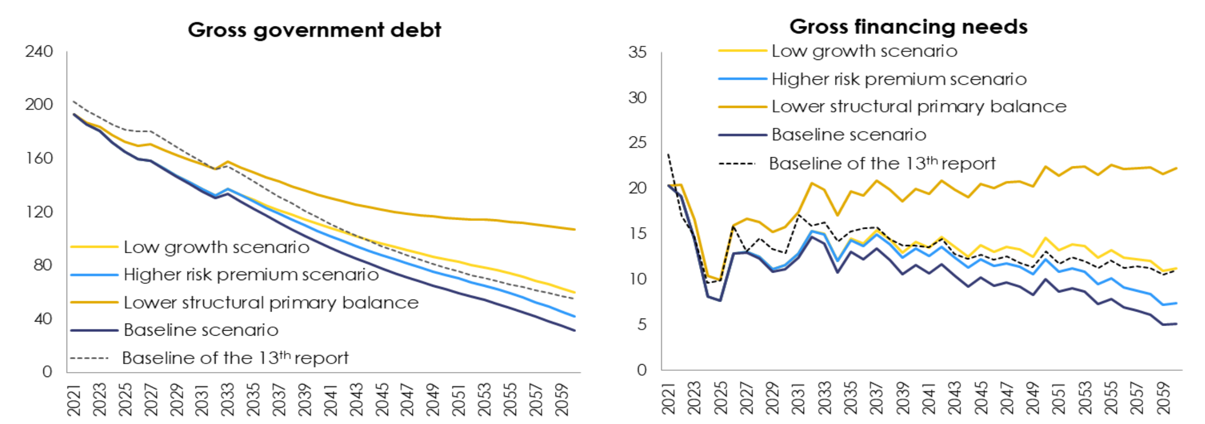
**The update of the debt sustainability analysis results in a significant downward shift of the debt and gross financing needs trajectories in all scenarios reflecting the lower starting point, higher inflation expectations** ([23]) **and the new fiscal path based on the no-policy-change assumption** ([24])**.** In 2021, the debt-to-GDP ratio reached 193%, which is 10 percentage points lower than expected in the previous report. This improvement was

([23]) To recall, the GDP deflator in the analysis is aligned with the Commission 2022 spring forecast for the years 2022-2023 and assumed to converge thereafter to the euro area inflation currently expected by the markets for 2031. Beyond that, inflation is assumed to converge to 2% by 2051 and remain constant afterwards.

([24]) Note, however, that following the technical update of the DSA for the latest macroeconomic data, the debt trajectory would be on a firmly downward path also under the previous fiscal assumption (i.e. a primary balance of 2.2% of GDP), and gross financing needs would remain below 20% of GDP in all three scenarios.

primarily due to the higher-than-expected nominal GDP, but also to the lower-than-expected primary deficit. Overall, given the high level of debt, the debt sustainability analysis indicates high risks over the medium term (25). In the baseline scenario, the debt-to-GDP ratio decreases to around 32% in 2060, while gross financing needs decline below 10% in the long run (26). One of the main driving factors of the change compared to the previous report is the faster increase of nominal GDP, especially over the short and medium-term, which is principally driven by the surge in inflation also reflected in market-based inflation expectations. This improvement is not fully offset by the increase in interest rates, because of the very long weighted average maturity of the Greek debt, which cushions the impact of market interest rate movements in the short and medium term. The other major contributor to the updated results is the fiscal trajectory based on the no-policy-change assumption. Given the forecast structural primary balance of 1.4% of GDP for 2023 and the assumptions on cost of ageing developments, the fiscal trajectory from 2023 to 2060 is on average 0.4 percentage points higher than the previous assumption of 2.2% of GDP. In the higher-risk-premium scenario, debt decreases to 42% of GDP in 2060 and gross financing remain below 10% of GDP in the long run. Even in the low-growth scenario (27) debt ratio remains on a downward trajectory in the long run, and gross financing needs remain below 20% of GDP. To cater for fiscal policy risks, a fourth scenario assumes a lower primary balance trajectory (28). This scenario implies a significantly lower primary balance averaging at 0.4% of GDP for the period 2023-2060. In this scenario, debt still remains on a downward trajectory, but declines at a much slower pace than in the other scenarios, remaining above 100% of GDP by the end of the projection horizon. Gross financing needs are also more elevated, hovering around 15% of GDP in the medium-term, and slightly above 20% of GDP in the long term.

Graph 1: **Results of the debt sustainability analysis**




***Source:*** Commission services

(25) Country Report Greece 2022, SWD(2022) 609 final, Annex on *Debt Sustainability Analysis*.

(26) The baseline scenario follows the methodology applied to all other Member States and is an update to the analysis which was published in the 2021 Fiscal Sustainability Report. The alternative scenarios presented here complement the analysis.

(27) As in previous reports, the low-growth scenario builds on the higher risk premium scenario, but assumes a lower real GDP growth in the long run.

(28) The “lower structural primary balance” scenario is part of the set of standard alternative scenarios used in the European Commission’s horizontal framework, and was published in the 2021 Fiscal Sustainability Report for the previous vintage. This scenario builds on the baseline scenario and assumes that throughout the whole projection period the structural primary balance level is reduced by half of the cumulative forecast change over 2021-2023 in the Commission 2022 spring forecast.

**The assessment of debt sustainability hinges on the underlying assumptions and is subject to considerable uncertainty linked in particular to the current inflationary shock.** The new fiscal path implies on average a significantly higher primary surplus than under the previous fiscal assumption. Achieving and maintaining an average primary balance of 2.6% over close to 40 years is highly ambitious and would require fiscal discipline that is unprecedented in almost all EU Member States. The no-policy-change fiscal assumption represents the current fiscal policy setting and will be revised following each Commission forecast. As highlighted by the lower structural primary balance scenario, where sustainability risks are more pronounced, fiscal prudence is key for ensuring debt sustainability. As regards inflation, should its current surge be less persistent than assumed based on the current methodology and market expectations, it would lead to a higher debt trajectory on account of lower nominal growth. Regarding real growth, Greece's potential growth has recently been below the long-run growth assumed in both the baseline and the lower growth scenarios, which include the expected growth impact of the investments under the Recovery and Resilience Facility based on the Commission's standard T+10 simulations adjusted on the basis of the QUEST model up to the 10th forecast year, and are anchored to the macroeconomic assumptions of the 2021 Ageing Report thereafter ([29]). Achieving the higher projected potential output growth rates will require the implementation of structural reforms and strong growth-enhancing investments, including those presented in Greece's resilience and recovery plan. They are also key to sustaining favourable interest rates in the long run.

## FINANCIAL SECTOR DEVELOPMENTS

**Greek banks have completed an outstanding year in non-performing loan reduction, as the focus gradually moves to the workout of non-performing debt for viable debtors, where feasible.** The non-performing loans ratio stood at 12.8% on a solo basis in December 2021, having declined strongly from 30.1% at end-2020 and 40.6% at end-2019. Two of the four systemic banks have recorded a single-digit non-performing loan ratio as of end-2021, while the other two are expected to meet the same target at the latest by the end of 2022. The main driver behind this rapid fall in the stock of non-performing loans, which has dropped to EUR 18.4 billion from its peak level of EUR 107.2 billion (end-March 2016) ([30]), have been the securitisation transactions under the Hercules Asset Protection Scheme. Three more securitisation transactions by systemic banks remain still in the pipeline ([31]) and are expected to be completed on time. The cost for the originating banks for future transactions will increase, because of rising guarantee fees due to the impact of the war in Ukraine on credit default swap spreads. Future efforts to move the non-performing loan ratio closer to the EU

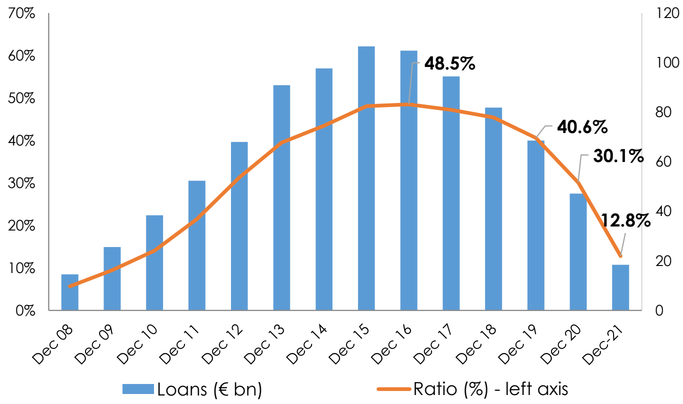
([29]) See Commission (2020), The 2021 Ageing Report, "Underlying assumptions & projections methodologies", November 2020. These assumptions reflect the reforms affecting the sustainability of public finances in the long run (such as pension reforms, and health and long-term care measures), demographic projections with an impact on participation rates and labour market variables, and the assumption of convergence in labour productivity across Member States.

([30]) Source: Bank of Greece.

([31]) The loan portfolio under one of these three securitisations was classified as held for sale by the respective bank as of end-2021 and hence is already reflected in the improvement of the non-performing loan ratio at the end of 2021. Moreover, beyond these three planned transactions by systemic banks, two less-significant institutions are reportedly interested in making use of the Hercules Asset Protection Scheme within 2022.

average will increasingly rely on the banks' offering of new loans (denominator effect), as well as the management of loans in or at risk of default and their ability to offer viable long-term solutions. At the same time, effective collateral recovery will be crucial when successful restructuring is not feasible.

Graph 2: **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 creation of new non-performing loans continues at a limited rate, as risks to banks' asset quality persist.** Net inflows ([32]) of non-performing loans continued in the fourth quarter of 2021, for the fifth quarter in a row, albeit at a more limited rate. Banks' 'step up' products offered to viable customers facing temporary difficulties and the remaining payment moratoria granted to the hospitality sector have almost completely expired at the end of 2021, while the material number of loans benefitting from state-support measures through the "Gefyra" and "Gefyra II" schemes ([33]) are gradually exiting the schemes in the first half of the year. Banks continue to report a stable and limited default and re-default rate for loans after exiting moratoria and the initial signs point to similar default rate for loans exiting the "Gefyra" schemes and somewhat higher rates for those exiting banks' 'step up' products. However, the first solid results after the end of these support measures will not be available before the end of June 2022. In addition, although the direct or indirect exposure of the Greek banking sector to Russian or Ukrainian residents is limited, there are downside risks for banks' asset quality stemming from potential second round effects on the economic outlook and the real disposable income of households related to Russia's unprovoked invasion of Ukraine.

**The successful resolution of legacy private non-performing debt increasingly depends on servicers in charge of servicing securitised and sold loans.** The non-performing debt that has exited the banks' balance sheets remains in the hands of specialised non-bank financial institutions (i.e. servicers), which managed EUR 79.7 billion of predominantly non-performing loans as of end-December 2021, large part of which in the form of securitised non-performing loan portfolios under the Hercules scheme. These institutions aim to

([32]) See footnote 9.
([33]) The two "Gefyra" schemes are temporary instalment subsidy schemes set up by the authorities for performing or restructured coronavirus-affected debtors.

maximize recoveries through restructurings, and if not feasible, liquidations. The pandemic has complicated the smooth execution of the servicers' business plans for some of the securitised non-performing loan portfolios. The new out-of-court workout tool and the normalisation of the debt enforcement process, which has started in the fourth quarter of 2021, is also expected to facilitate servicers' efforts to meet business plan targets. Moreover, in order to improve cash flow generation for some of these vehicles, servicers are considering targeted sales of loan portfolios. The gradual development of a secondary market for these loans is expected to facilitate bank refinancing of debtors that will undergo restructuring and become re-performing, possibly allowing them under certain conditions to enter again the banks' loan books in the future.

**The banks' core profitability has improved with one-off items weighing on results.** All four banks booked profits in 2021 when excluding one-off events. The results of two systemic banks were affected by the one-off losses deriving from the clean-up of non-performing loans. Nevertheless, according to banks' own calculations, all recurring operations have been profitable, which indicates a gradual return to profitability. Robust growth in fees and commissions has helped to largely offset pressures on interest revenues due to the low interest rate environment and the completion of non-performing loans securitisations ([34]), while improving the quality of the revenue mix. Given their significant holdings of domestic sovereign bonds, systemic banks have taken measures to mitigate the impact of potential increases in sovereign yields on their profitability. On the cost side, banks continue their efforts to contain staff costs. The current market uncertainty has had an adverse effect on the long-term unsecured funding costs of the banks and may affect their strategy for further debt issuances in order to meet the minimum requirement for own funds and eligible liabilities (MREL) ([35]), both in terms of timing and type of instruments issued. The banks envisage to counterbalance potential pressures on their cost of funding due to these factors by the implementation of business plans, which take into account the prospects for credit growth, 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. Banks have maintained their ambitious business plan targets for sizeable new lending, despite the downside risks stemming from any second-round effects of the current geopolitical uncertainty and high energy costs on credit demand. At the same time, the nature of the demand for credit by corporates may shift towards working capital rather than the financing of investment needs.

**The clean-up of the banks' balance sheets continued to impact on bank capital positions but the outlook for 2022 benefits from reduced provisioning needs ([36]) and stronger internal capital generation through increased profits.** Banks' average Common Equity

([34]) 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.

([35]) 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.

([36]) The need for provisions set aside for potential losses on new loans granted is reduced as the average quality of the banks' loans improves.

Tier 1 and Total Capital ratios stood at the end of 2021 at 12.6% and 15.2% of risk-weighted assets on a consolidated basis, respectively ([37]). Banks' capital position was still lower than end-2020 (15.0% and 16.6%), reflecting the cost of non-performing loan deleveraging and the phasing out of transitional prudential adjustments ([38]). The capital position of the banks in 2021 has been supported by two banks' successful share capital increases and some synthetic securitizations ([39]). Further upcoming capital enhancing actions are expected to materialize in 2022, while the banks' capital position is expected to benefit also from organic profit generation, through increased profits. As the bulk of non-performing loan reduction actions are completed, the impact of non-performing loan clean-up on capital positions is expected to diminish. However, the capital position remains one of the lowest in the EU and its quality continues to be a concern, as it contains a high and increasing share of deferred tax credits (circa 64% of supervisory capital at end 2021 at consolidated level).

**The outlook for credit growth has become more uncertain, although banks' credit expansion plans remain ambitious.** The average annual rate of growth in credit to non-financial corporations remained almost unchanged in 2021 (5.7%) in comparison to 2020 (5.6%). However, net credit towards firms has registered a gradual slowdown in the second half of 2021, which continued at the beginning of 2022, with an annual growth of 3.4% in March 2022, down from 8.7% in March 2021. Credit growth to large corporates has taken the lead in the last quarter of the year, as SME credit growth seems to be lagging behind. Net credit growth to households, particularly mortgages, remains steadily negative, despite an increase in gross credit flows in 2021. The average cost of bank lending to businesses continued to fluctuate at historical lows and has decreased to 2.76% in February 2022 from 2.92% a year earlier, substantially lower than the cost of credit for unincorporated business (5.16%) and households (4.88%). The Hellenic Development Bank has extended the deadline for applications of the third call of guarantees under the Covid-19 Enterprise Guarantee fund, with a still unutilised guarantee budget of EUR 150 million, to provide working capital loans to SMEs and will launch new financial instruments in 2022 with a strong focus on SMEs. In addition, loan disbursements linked to the RRF Loan Facility are expected to start after April and increase more substantially in the second half of the year. The Russian military aggression against Ukraine increases uncertainty for the credit demand for this year but banks believe that it should not change fundamentally their credit expansion plans.

**The authorities have agreed a reform of the Hellenic Financial Stability Fund with the European institutions.** The law is expected to be adopted shortly. The duration of the Fund will be extended until the end of 2025 to allow the Fund to fulfil its dual objective of contributing to the stability of the Greek banking system, while effectively disposing its assets. The reform streamlines the Fund's governance structure, outlines a set of principles that will guide the Fund's divestment strategy and establishes a communication channel for the Fund to the Ministry of Finance for reporting on the state of its implementation. The

([37]) Source: Bank of Greece (provisional data).

([38]) 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.

([39]) 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.

Fund’s special rights will also be streamlined.

**The Hellenic Financial Stability Fund intends to participate, within its mandate, together with private shareholders in the second share capital increase of a less significant institution.** The Fund had obtained a majority stake, in the context of the conversion of part of the bank’s deferred tax credits, and it also participated in the bank’s share capital increase, in 2021. The Fund and the major private shareholders entered into an agreement in April 2022, which envisages a second investment in the bank comprising a further share capital increase and, if required, an additional contribution in capital or alternative actions as part of the implementation of the bank’s business plan.

# Commission Staff Working Document

EUROPEAN
COMMISSION

Brussels, 23 May 2022

COM(2022) 700 final

**COMMISSION STAFF WORKING DOCUMENT**

**Enhanced Surveillance Report - Greece, May 2022**

***Accompanying the document***

**COMMUNICATION FROM THE COMMISSION**

**Enhanced Surveillance update - Greece, May 2022**

**Progress with the implementation of 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.**<br>Achieve a primary surplus of 3.5% of GDP over the medium-term. | **The General Escape Clause remains active in 2022.** Greece's Stability Programme, submitted on 30 April 2022, projects the primary deficit to reach 2.0% of GDP in 2022 ([40]) and a primary surplus of 1.1% of GDP in 2023. The authorities' projections are aligned with the Commission 2022 spring forecast. 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. In its Communication of 3 March 2021 ([41]), the Commission set out its view that the decision on the deactivation or continued application of the general escape clause should be taken as an overall assessment of the state of the economy, with the level of economic activity in the EU or euro area compared to pre-crisis levels (end-2019) as a key quantitative criterion. Heightened uncertainty and strong downside risks to the economic outlook in the context of war in Europe, unprecedented energy price hikes and continued supply chain disturbances warrant the extension of the general escape clause of the Stability and Growth Pact through 2023. Monitoring of fiscal developments will continue on a continuous |

([40]) The primary deficit monitored under the enhanced surveillance in 2022 is projected at 1.9% of GDP. The adjustments agreed under the enhanced surveillance framework are applied only until 2022.

([41]) Communication from the Commission to the Council on one year since the outbreak of COVID-19: fiscal policy response, Brussels, 3.3.2021, COM(2021) 105 final

| Commitment | State of play and next steps |
|---|---|
| | basis. In October 2022, Greece – along with other Member States – is expected to present its 2023 Draft Budgetary Plan, which will be assessed for compliance with the Stability and Growth Pact. |
| **Public financial management.**<br><br>Complete the chart of accounts for the central administration by implementing the fund and functional classifications in the 2022 State budget. | **Completed.** |
| **Public financial management.**<br><br>Extend the Chart of Accounts reform to General Government entities by mid-2022. | **The mid-2022 specific commitment to implement the second level of functional classification has been completed.** The authorities have finalised the second level of functional classification in both the investment and non-investment budgets for all general government entities and will be presented in the annual update of the Medium Term Fiscal Strategy in May 2022. The functional classification categorizes expenditure according to the purposes and objectives for which they are intended. It was the last part of the chart of accounts reform. This reform introduces a common economic, administrative and functional classification for budgetary and accounting purposes. The reform allows for a deeper analysis of public expenditure and can be used as a performance budgeting tool and thus improve the design of economic policy. |
| **Public financial management.**<br><br>Complete the cash monitoring and forecasting for the General Government Treasury account system. | **Completed.** |

| Commitment | State of play and next steps |
|---|---|
| **(*) Arrears.**<br><br>The authorities will implement the arrears clearance plan and avoid the accumulation of new arrears.<br><br>Complete the implementation of reforms identified by the Hellenic Court of Auditors. | **The target to materially clear the non-pension arrears by February 2022 has not been met, largely on account of the continued pandemic and the hikes in energy prices.** The stock of non-pension arrears in March 2022 increased to €528 million compared to €238 million in December 2021 reported in the 13th enhanced surveillance report, deviating from the target by €225 million. The underperformance is observed mainly in hospitals and extra-budgetary funds where the deviation from targets reaches €121 million and €60 million respectively. The impact of the pandemic, reflected in the high number of cases and hospitalizations, continues to put pressure on hospitals resulting in increased workload and expenses. Despite that the legal amendment which simplifies and accelerates the payment of grants especially at the beginning of the year was adopted on time, the first instalment of the hospitals' annual grant was paid in March instead of January, affecting negatively hospitals' liquidity during the first months of 2022. Regarding the extra-budgetary funds, the increase in their arrears is mainly due to increased energy costs, both fuel and electricity. On the other hand, the application of the mechanism for the prevention of arrears accumulation in local governments helped the stabilisation of their arrears, which are now very close to the target.<br><br>**Supported by additional targeted actions, the remaining non-pension arrears should be materially cleared by August 2022.** The authorities have proposed, and already partly implemented, additional actions to support the entities which continue to hold a high stock of arrears. As regards the hospitals, a legal provision, which solves the legality issues of hospitals' expenses and permits payments of supplies obtained through direct contract awards instead of an open regular process was adopted in |

| Commitment | State of play and next steps |
| --- | --- |
| | end of March. This provision in combination with the grants received in March, should ensure sufficient liquidity to repay overdue obligations in the coming months. In response to the high energy costs, the authorities plan to adopt a legal provision in May, which will allow the state to transfer an additional grant to public transport companies in order to pay their overdue obligations to electricity companies. In addition, the authorities issued in April, earlier than planned, a joint ministerial decision on the conduct of public service obligation, which increases the amount by €41 million in order to improve the liquidity of these companies. The authorities expect that the aforementioned initiatives along with the actions undertaken during the previous period will result in materially clearing the non-pension arrears by August, and possibly earlier.<br><br>**The clearance of pension arrears has slowed down since December on account of delays in implementing the planned IT improvements and lower than expected yields of previous measures.** The stock of pension arrears in March 2022 reached €200 million compared to €267 million in December 2021, €105 million above the target set in October 2021. The observed deceleration in the clearance pace is mainly a result of delays in the delivery of software updates as well as difficulties encountered in the implementation of some of measures.<br><br>**The authorities have put forward additional actions to optimise and simplify the existing pension award IT and procedures, which will allow for a full clearance of pension arrears by August 2022, two months later than initially envisaged**. A law amendment was adopted in April, which aims at significantly speeding up the process of awarding pensions through improved verification of the data available in the |

| Commitment | State of play and next steps |
|---|---|
| | electronic system of Single Pension Fund. According to the new provision, three months after the application, the pension award will be issued automatically by using not only the data of the insurance history that are already registered in the information system but also the declarations and data submitted by the applicant for additional insurance periods. The data that have not been verified before the pension award will be checked afterwards within three years from the issuance of the award. In addition, the authorities designed a number of additional actions due in May, which include: (a) changes in the pension application process that would allow checking eligibility before finalising the application, (b) the introduction of important IT modifications and updates to process the old stock of pension claims faster, and (c) the creation of an electronic portal to facilitate the data exchange between Single Pension Fund and applicants. These are significant enhancements that should lead to faster processing of pension claims and full clearance of pension arrears by August 2022.<br><br>**The commitment to implement reforms identified by the Hellenic Court of Auditors to prevent the accumulation of arrears has been effectively completed**. The vast majority of recommendations has either been completed or will be fulfilled and further broadened through ongoing wider structural reforms included in Greece's recovery and resilience plan. Since the last report, the authorities completed some important actions including the improvement of statistical recording of pension claims, the digitalization of the insurance history of private sector employees, corrections in the registration of pension claims with part of the insurance periods gained abroad and the introduction of controls in the process of generating fiscal reports by the Ministry of Development. This effectively finalises the work on the commitment. A small number of |

| Commitment | State of play and next steps |
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| | (12 out of the 251) recommendations will be completed for the most part still in 2022, according to the timeline shared by the authorities. The remaining recommendations, which mostly relate to IT improvements, are expected to be completed by the end of 2023.<br><br>**The authorities have also completed a broader reform to simplify fiscal procedures and accelerate the payment chain**. The authorities have adopted all the law amendments identified by the working group for the simplification of the legislative framework governing the fiscal management of the central administration and public legal entities. These include: (a) a simplification of the payment of first instalment of the annual regular grants to legal entities ensuring sufficient liquidity especially at the beginning of the year, (b) changes in the regulatory framework for preventing conflict of interest of accounting officers, (c) payment of certain types of costs through simplified procedures, (d) amendments of the legal framework regarding multi-annual obligations. These initiatives will eventually help streamlining budget execution as well as payment processes and are expected to further help the prevention of new arrears. |
| **Tax administration.**<br><br>Reach the agreed permanent staffing positions at the Independent Authority of Public Revenue. | **Completed**. |
| **Tax administration.**<br><br>Make the end-to-end IT collection systems fully operational. | **The new IT collection system for the Independent Authority for Public Revenue has partially been put in place with the full operationalisation of the complete IT system expected to be rolled out by September 2022, in line with the agreed timeline**. The new IT system ('EISPRAKSIS') will contain seven sub-systems, out of which |

| Commitment | State of play and next steps |
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| | four are now in place, namely: (i) debtor and debt management monitoring, including the debtor’s profile, enforcement measures etc.; (ii) submission and management of electronic notifications; (iii) risk analysis; and (iv) insolvency procedures. These four sub-systems have been rolled out to the central tax administration service of the Independent Authority, including the directorate for tax collection and tax refunds, the collection operations unit and Attica’s debt collection centre. The remaining three sub-systems, including automatic offsets of tax obligations, are expected to be in place by September 2022. By that time, the complete IT system will be fully operational across all parts of the Independent Authority, including all local tax branches with a collection mandate.<br><br>The foreseen selection process to appoint new members at the Independent Authority’s management board was launched in March 2022 and is expected to be completed by end-May 2022, whereas the performance targets for 2022 set for the Governor of the Independent Authority are expected to be adopted in June 2022. |
| **Tax policy.**<br><br>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. | **The authorities have completed a reform of the ENFIA property tax.** The reform applies new market-related property tax values, widens the tax base and improves the fairness and economic efficiency of the property tax. The authorities have issued the post-reform tax assessment bills for 2022 and the payment of the first instalment of the tax is due by end-May 2022. |
| **(*) Health care.**<br><br>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 clawbacks continues at a regular pace.** Clawbacks refer to the 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 |

| Commitment | State of play and next steps |
|---|---|
| | providers. The authorities successfully met the target of collecting 45% of the pharmaceuticals clawbacks and rebates for 2021 and 60% of the 2021 clawback for healthcare providers. The latter was made possible by the recently introduced methodology to collect the clawback for providers on a rolling basis during the year for a 70% of the total (70% of clawback accrued in a given year can be collected during the same year). The authorities have outlined a credible timeline for further progress with the collection of clawbacks for the second half of 2022 (see Annex) and regular monitoring is expected to continue thereafter.<br><br>**The size of the clawback remains large.** The pharmaceuticals clawback for 2021 is currently estimated at approximately €830 million for outpatients (the first semester of 2021 has been quantified at €430 million); or some €1 400 million when adding the clawback and rebates generated by the closed budget on hospital drugs (i.e. this refers to the amount above the legislated ceiling for hospital pharmaceuticals accounting for both discounts and the amount that the industry needs to pay back net of discounts). Notably, the legislated ceilings stand at €2 billion for outpatients and at €590 million for hospital pharmaceuticals, so actual spending currently exceeds the legislated ceilings by approximately 50%. The Recovery and Resilience Plan includes relevant measures to address the issue. |
| **Health care.**<br><br>Greece will ensure the rollout of the primary health care system, in particular by opening all 240 primary health care units. | **The authorities adopted the revised primary legislation for the primary health care reform in early May.** Due to ongoing negotiations to revise contractual arrangements for general practitioners, the adoption of the secondary legislation has been postponed, but the authorities committed to adoption by early June ahead of the June 2022 Eurogroup. The implementing secondary legislation will define key elements of the |

<table>
<tr><th>Commitment</th><th>State of play and next steps</th></tr>
<tr><td></td><td>functioning of the system such as the incentives for both patients and providers to join as well as accessibility.<br><br>The authorities committed to a revised timeline for the full implementation of the primary health care system. In particular:<ul><li>Implementation will start with the enrolment of doctors into the system. Specifically, the authorities envisage to start the enrolment of family doctors with the new contract with the Single Healthcare Fund (EOPYY) and to automatically enrol general practitioners and internists who work in public primary health care by end-May 2022.</li><li>Shortly thereafter, by the end of June, the authorities intend to complete the IT infrastructure to register and to book appointments, and start with the registration of citizens with a family doctor. The registration of self-employed family doctors into the system will proceed in parallel and will reach a level that allows to cover at least 85% of the population by July 2022.</li><li>By October, the authorities have also committed to activate the incentive scheme for registration and gatekeeping and to have at least 25% of the population registered by the same time, with 50% of the population registered by the end of 2022.</li></ul>All remaining primary healthcare units will be open by June 2023.</td></tr>
<tr><td>Health care – PHC.<br><br>Ensure the rollout of the primary health care system, in particular by opening at least 120 primary health care centres.</td><td>Completed.</td></tr>
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| Commitment | State of play and next steps |
| --- | --- |
| **Health care – centralised procurement.**<br><br>The main body responsible for central procurement (EKAPY) will be set up, with a view to achieving a share of centralised procurement in total hospital expenditure of 30%. | **Completed.** |
| **Health care.**<br><br>Achieve a 40% share of centralised procurement in total hospital expenditure by mid-2022. | **Centralised procurement activity is broadly on track to meet the 40% target of centralised procurement in total hospital expenditure.** The 40% of total hospital spending that can be subject to centralised procurement corresponds to a target of €320 million. Progress is ongoing although with minor delays accumulated in the phase of technical specification of the tenders. Tenders worth more than €45 million have already been completed and are ready to be contracted. Almost thirty tenders are currently ongoing, although at different stages in the procurement process: tenders for an approximate value of €200 million are close to issuance, which is currently planned by May; additional tenders worth more than €90 million are planned for issuance by June, but these require further work to finalise elements such as technical specifications and pricing. The remaining tenders to reach the 40% target will likely be launched soon thereafter. The authorities committed to providing regular updates on the progress with centralised procurement. |
| **Social welfare.**<br><br>Apply to all disability benefits the new approach for disability determination based on both medical and functional assessment. | **Secondary legislation was adopted on 24 March setting out a new disability assessment approach based on both medical and functional criteria, thus completing the policy commitment**. A Joint Ministerial Decision by the Ministers of Labour and Social Affairs and Finance set out the new approach, which will be applied in the next months for granting personal assistance benefits to person with disabilities on a pilot basis. Disability assessment will be based on both medical and |

| Commitment | State of play and next steps |
|---|---|
| | functionality-related criteria and made by multidisciplinary assessment committees. Applications for potential beneficiaries started on 14 April and were completed on 15 May 2022. |
| **Social welfare.**<br>Complete the set-up of the single pension fund EFKA. | **Completed.** |
| **Social safety nets.**<br>Complete the rollout of all three pillars of the Social Solidarity Income (SSI) scheme. | **Completed.** |
| **Social safety nets.**<br>Review the system of subsidies for local public transport. | **Completed.** |
| **(*) Financial stability.**<br>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.<br>Greece will implement the comprehensive action plan on household | **The platforms under the new insolvency framework start gradually bearing results, particularly with respect to out-of-court settlements and further improvements are continuously being developed.** There has been a steady flow of fully submitted applications to the out-of-court settlement platform, reaching 3 074 as of 24 March 2022, while for 1 708 of these, corresponding to a total debt of €373 million, there was already a proposed settlement by the platform's algorithm ([42]). Quite importantly, in 468 cases the creditors' settlement proposal has been received by the debtors and in 205 cases it has been accepted, with an average debt |

([42]) Out of these 1 708 applications, 967 refer to multilateral restructuring and 666 only refer to bilateral settlements between the debtor and government entities, while 75 were concluded without a restructuring agreement being reached. In 468 cases the creditors' settlement proposal has been received by the debtors and in 205 cases it has been accepted, with an average debt haircut of around 28%.

| Commitment | State of play and next steps |
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| insolvency with the objective to eliminate the backlog of cases, including the process of pending applications.<br><br>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. | haircut of around 28%. To further facilitate the submission of applications, the authorities have set up since 24 February 2022 a helpdesk, while similar initiatives are also undertaken by the systemic banks to support their clients. The authorities are in the process of identifying and assessing areas of potential improvements, either of a technical or a legal nature, and are preparing an initial report in May 2022. With regards to the second chance platform (i.e. the insolvency proceedings platform), there has been a significant (60%) increase in the number of active applications, while the applications validated by court have almost tripled. Progress has been more modest in the case of the rehabilitation and the early warning mechanism platforms. Effectiveness of the insolvency framework will be monitored on a continuous basis.<br><br>**The concessionary process for the setup of the sale-and-lease-back entity is expected to be launched in May, after previous delays, and an interim support scheme is being put in place to ensure a smooth transition until the new entity commences operations.** Following the appointment of an investment advisor, the authorities are expected to launch the call for the expression of interest in May. It will be followed by a competitive dialogue with pre-selected interested investors, which is expected to start by end-September 2022 and will result in the launch of a call for binding offers in February 2023 and the issuance of the requisite ministerial decisions linked to the operation of the sale-and-lease-back entity. The entire process, including the award of the contract and its ratification in Parliament, is expected to be finalised by June 2023 at the earliest, which will pave the way for the new entity to be established and become operational. In view of the delays with the establishment of the mechanism, an interim scheme was adopted on 28 March 2022 by the Parliament and is expected to be operational shortly. The scheme will |

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| | provide a subsidy on loans secured by collateral on the primary residence of "certified" vulnerable debtors (under the new insolvency code), who have been declared bankrupt or whose primary residence is about to be auctioned ([43]). The scheme is expected to run until the sale-and-leaseback entity is set up, but no longer than for 15 months. At the end of the interim scheme, the primary residence of the vulnerable debtor who joined the scheme will be obligatorily transferred to the new entity if it is set-up by that time, or the enforcement proceedings will continue from the point at which they were at the time of the suspension.<br><br>**The upward trend in the assignment of new hearing dates for pending household insolvency cases has been maintained since the last report but the number of final court decisions is limited.** The validation of household insolvency cases by court secretariats is nearing completion but the pace of assignment of hearing dates for validated cases has not improved, while the number of final court decisions is limited ([44]). In order to accelerate clearance, the authorities have taken relevant actions: In addition to the secondment of 14 judges to courts facing difficulties reported in the 13th enhanced surveillance report, the authorities have adopted a provision allowing for the hearing of cases also by judges serving in another court within the same regional judicial |

([43]) The subsidy will be equal to the existing housing benefit allowance, i.e. €70 – 210 per month, depending on the family size. The authorities project the cost of the subsidy to reach €6.3-10.5 million for the entire period, provided there is no further extension of the scheme. This estimate is based on a forecast of 3 000 to 5 000 debtors participating in the scheme and assumes an average subsidy of €140 for a 15-month period, on the basis of the average size of Greek households.

([44]) Ineligible applications are being filtered out in the process, albeit at a smaller volume than initially expected (as of 24 March 2022, 48 305 applications remained active, out of a total of 48 715 that had been filed by the mid-July 2021 deadline). So far, in the limited number of court decisions issued, there is a significant percentage of rejection of petitioners' applications (1 127 out of 2 519 decisions), entailing the termination of protection from liquidation and the refusal of a restructuring of the debt under the household insolvency framework.

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| | division, thus overcoming the limitations to the maximum number of cases that can be heard on the same day. Moreover, the provision foresees that the 85 successful candidates of the latest competition for the hiring of magistrate’s court judges, who will be appointed in 2022, will serve the first two months in the Magistrate’s Court of Athens to support judges in the trial of household insolvency cases. These measures are expected to notably enhance the case processing capacity of the magistrate’s courts all over Greece and ensure that 95% of validated cases receive a hearing date by end-October 2022. Out of these, 70% of cases are expected to be heard by the end of 2022, with final court decisions issued for 25% of the cases that have been heard until end-October. In addition, the authorities stated their intention to introduce by end-May a targeted legal amendment introducing a deadline for the mandatory upload, by court secretariats in the relevant IT platform, of all necessary details of the court decision for each case heard, and, in the case of interlocutory decisions, the new hearing date once set. The authorities committed to progress with the clearance according to the timeline agreed in the action plan, which envisages that 95% of all cases will be heard by April 2023, with final court decisions issued for 80% of them. The remaining 5% of cases will have a hearing date set at the latest by end-2022 and are expected to be heard by June 2023. The full clearance of the backlog, i.e. the issuance of final court decisions for all currently pending cases, is expected by December 2023.<br><br>**The conduct of auctions is continuously gaining traction since their post-pandemic resumption in September 2021.** The number of e-auctions scheduled and conducted in the first quarter of 2022 was higher than in the first quarters of the previous four years, a clear sign that the debt enforcement process is gaining traction. In the period from 1 October |

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| | 2021 to 18 March 2022, more than 70% of the 13 695 scheduled auctions were conducted, 20% of which resulted in the transfer of the property. More than a half of them were acquired by third parties, a significant increase in comparison to the past when the majority of auctioned properties ended up in the banks' and servicers' real estate property portfolios. Further improvements could materialise in the future, given that the recently adopted legal enhancements (e.g. automatic reserve price adjustment) only entered into force on 1 January 2022. Effectiveness of e-actions and unimpeded conduct of enforcement will be monitored on a continuous basis.<br><br>**The work regarding identification of potential enhancements to the e-auctions platform has been completed, with one specific measure adopted now and the rest to be implemented in the context of the recovery and resilience plan.** The working group submitted its conclusions to the Ministry of Justice in March 2022. The implementation of the majority of their recommendations will take place in parallel to the measures outlined in Greece's recovery and resilience plan. The measure that has already been adopted was a provision expressly allowing Athenian notaries to conduct auctions in Piraeus.<br><br>**Despite some improvements, the timeline for the clearance of the backlog of called state guarantees has been amended to reflect the accumulated shortfalls and unexpected legal challenges preventing the payment of certain claims.** The data for the first quarter of 2022 showed some improvement in the clearance of natural persons' claims, while the clearance of corporate claims decelerated. Moreover, the payments for a significant number of processed claims could not be carried out, due to five different legal impediments, according to the |

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| | authorities. One of them, which represents 27.4% of the value for the called guarantees on corporate loans, is the lack of legal clarity regarding the treatment of guarantees on loans that were transferred to another legal entity without prior approval by the guarantor. The authorities have committed to assess potential solutions to accelerate clarifying this situation. These factors have rendered the previous 2022 target unattainable. The revised action plan of the authorities therefore postpones the full examination of claims by a quarter, i.e. by the fourth quarter of 2022 for corporate claims and by the third quarter of 2023 for natural persons' claims, while keeping the deadline for the completion of all payments unchanged, i.e. by the second quarter of 2024. The authorities committed to progress according to the timeline and targets of the revised clearance plan and agreed to continue providing monthly updates on the pace of clearance and assess if further corrective actions are needed. The recruitment of additional 35 staff is expected to be completed shortly, which strengthens the credibility of the revised timeline.<br><br>**The authorities have agreed a reform of the Hellenic Financial Stability Fund with the European institutions.** The law is expected to be adopted shortly. The duration of the Fund will be extended until the end of 2025 to allow the Fund to fulfil its dual objective of contributing to the stability of the Greek banking system, while effectively disposing of its assets. The reform streamlines the Fund's governance by creating a board of Directors as its sole governing body. It will consist of three executive and six non-executive members. The managing director, will be responsible for preparing and implementing the decisions of the board of directors. In order to incentivise divestment, the law includes a set of principles that will guide the Fund's divestment strategy and requests the |

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| | Fund to report regularly to the Ministry of Finance on the state of its implementation. Finally, the Fund's special rights have been streamlined. The Fund will be represented by a member in the banks' boards of directors but will exert a veto right only with respect to certain key decisions, namely the distribution of dividends and bonuses for those banks with a non-performing loan ratio exceeding 10% and those corporate actions that may significantly affect the Fund's shareholding. |
| **Financial stability.**<br>Related to the above, provide financial training to judges. | **Completed.** |
| **Financial Stability - Hellenic Financial Stability Fund (HFSF).**<br>The HFSF will 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. | **Completed.** |
| **Financial Stability - Hellenic Financial Stability Fund (HFSF).**<br>Greece will continue the relaxation of capital controls in line with the published roadmap. | **Completed.** |
| **Justice.**<br>In the context of implementing the Three-Year Action Plan on Justice, complete phase I of the establishment of the e-justice system will be completed. | **Completed.** |
| **Justice**<br>In the context of implementing the Three-Year Action Plan on | **While the implementation of e-filing in administrative courts incurred last-minute delays, one part of the project is now** |

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| Justice, implement the electronic filing of legal documents throughout the Courts, having completed the tendering procedure.<br><br>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). | **operational and the remaining part of the project is expected to follow by end-June 2022.** The operationalization of the interconnection between the administrative courts' IT system and the IT system of the Legal Council of State, originally due in March 2022, was postponed and eventually took effect in April 2022. The platform will enable the filing of initial submissions, memoranda and procedural documents in the context of pending procedures. Regarding the extension of functionality of the e-filing platform in administrative courts, the completion of the contract on 21 February 2022 was expected to be followed by a two-month pilot phase, leading to the full operationalisation by end-April 2022. As reported by the authorities, a two-month extension was requested by the contractor. As a result, the extended functionality was made available for use by legal professionals, in a pilot environment, only in April 2022. Upon completion of the pilot phase and the addressing of potential technical problems, the system is expected to be put into full operation in June 2022.<br><br>**The call for proposals for the projects constituting the second phase of the civil and penal case management system (OSDDY-PP) was launched on 15 March 2022.** The tender process is under way, the deadline for the submission of offers having expired on 29 April 2022. According to the authorities, the contract awarding and signature phase is expected to be completed by end-2022. The implementation of the project should start in January 2023 and will benefit from funds under the Recovery and Resilience Facility.<br><br>**Regarding the extension of the functionality to all courts across Greece of the e-docket platform, the project is advancing on schedule.** The relevant contract was signed on 21 March 2022, with completion |

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| | stipulated within 22 months from signature. |
| **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 level of the gross statutory minimum wage on 1 January 2022, a second increase of 7.5% took place on 1 May 2022 in response to the persistent commodity price hikes**. The public consultation process for the latter increase took place between January and April 2022 and involved research, scientific and social partners, and independent experts. On 21 April, the Minister Labour and Social Affairs adopted a Decision setting out the new gross statutory minimum wage level to apply on 1May, in line with amended Law 4172/2013. The new level of the gross statutory minimum wage brings the minimum wage up from €663 on 1 January 2022 to €713 on 1 May 2022 (when calculated on a 14-month basis) or €831.8 (when calculated on a 12-month basis). Implementation of the legislative framework will be monitored on a continuous basis. |
| **Labour market.** Implement action plan on undeclared work. | **Completed.** |
| **Investment licensing.** Deploy the relevant ICT. | **Completed.** |
| **Investment licensing.** Adopt all enabling licensing legislation. | **Completed.** |
| **Investment licensing.** Revise the nuisance classification. | **Completed.** |

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| **Investment licensing.**<br><br>Greece will finalise inspection legislation. | **The authorities have completed the commitment to finalise the inspection legislation.** Secondary legislation for the inspection reform in the last remaining area of environmental protection was adopted on 21 February 2022, i.e. shortly after the closure of the 13th enhanced surveillance report but ahead of the March 2022 Eurogroup. The issued legislation allowed the activation of the enforcement management model, marking the completion of the environmental inspections reform and the broader investment licencing commitment. |
| **Investment licensing.**<br><br>Greece will finalise the simplification of investment licensing procedures in the agreed remaining sectors. | **Completed.** |
| **Cadastre.**<br><br>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 full establishment of the Hellenic Cadastre continued to progress in the past three months.** In April, the collection of property rights reached 85% of the total property rights. Out of these, 35% are in operation and 22.3% are in public display, which means that 57.3% of the country's total property rights are at the stage of public consultation or at a later stage. Due to the legislative changes in the forest maps displayed here below, this figure is expected to reach 65% of total property rights by end-September 2022. This is somewhat below than the 71% under the previous plan.<br><br>**A new legislative amendment affecting forest maps was adopted in March 2022.** With this amendment, afforested fields that were previously cultivated and subsequently abandoned are no longer considered as forest land. Afforested fields cover 5.2% of the country's area (6 900 km²) and are usually areas between forests and agricultural land. This change |

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| | concerns around 1.3 million property rights, which will need to be updated in the cadastre after this law. The cadastral mapping contracts will need to be amended accordingly. All this could result in a delay in the completion of the cadastre compared to the previous planning. While the amendment is solving a long-standing issue that was brought to light with the development of the forest maps, it will require a revision of the existing contracts for cadastral mapping and expose the cadastre reform to a risk of new legal challenges.<br><br>**The authorities have granted a further extension to the period where citizens can raise objections to the remaining forest maps and the ratification of the 50% of forest maps that are still outstanding is delayed to September 2022.** The above-mentioned legislative amendment made it necessary to grant an additional time for the citizens to raise objections and the ratification of the forest maps will be completed with a two-month delay compared to what was reported in the 13th enhanced surveillance report. About 50% of the country has ratified maps; another 45% of the maps were uploaded for public consultation in February 2021. According to the revised plan, it is expected that by September 2022, 95% of the forest maps would be ratified. The ratification of the forest maps is necessary for the completion of the cadastral mapping. In order to avoid further delays to the completion of the ratification of forest maps and the completion of the cadastral mapping, the authorities are planning to adopt a legal provision allowing for the withdrawal of public ownership in the above mentioned 5% Greek land area.<br><br>**Regarding the transition to the new entity, 10 cadastral offices (out of 17) and 46 branches (out of 75) are now open and the corresponding** |

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| | **mortgage offices have been closed.** This is one cadastral office and eight branches more compared to what was been reported in the previous report. Opening of new offices has now slowed down due to lack of managerial staff. Recruitment of 27 specialists for the positions of Heads of Cadastral offices through the High Council for Selection of Staff (ASEP) is underway, but the time of their recruitment will affect the completion of the transition. The offers for the digitalization of the mortgage offices are being evaluated and the first lot is expected to be awarded by end-May 2022.<br><br>**The authorities are expected to keep the revised timeline with a view to completing this reform** including the full operationalisation of property rights and the full functioning of the new Hellenic Cadastre Agency by December 2022. |
| **Energy.**<br><br>Completion of lignite divestiture. | **Completed.** |
| **Energy.**<br><br>Launch the Target Model. | **Completed.** |
| **Energy.**<br><br>With a view to completing reforms in the energy sector, implement the measures agreed as part of the joint assessment on the NOME auction system. | **Completed.** |
| **(*) Hellenic Corporation of Assets and Participations (HCAP)**. The Strategic Plan of HCAP will be implemented on a continuous | **The implementation of the Strategic Plan by the Corporation has started.** Following the approval of the Strategic Plan of the Corporation |

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| basis. | in January 2022, the projects included in it have begun to be implemented as planned. However, uncertainty as to the Corporation's dividend revenue path has led to an adjustment of the budget of the Corporation and cost containment measures. The planned horizontal asset valuation, a key part of the Strategic Plan, which aims to give a reliable market valuation of the whole portfolio, will therefore be scaled back. Rather than the full valuation that was scheduled for launch in July, the Corporation will instead undertake a pilot during the second half of 2022. While the Corporation considers that this exercise will still provide information that will assist it in establishing a baseline valuation for the portfolio and in prioritising projects for management attention, a thorough valuation would be important for robust performance measurement.<br><br>**To track progress on implementation, the Plan contains three high-level metrics on financial, social and environmental dimensions.** An update on financial performance will be available in September 2022. A baseline for a "Social Trust" metric is currently under preparation. An environmental metric will be developed under a project to be launched by end-May.<br><br>**As part of its core mandate, the Corporation continues its work on a new cycle of review (and replacement, if needed) of the boards of the state-owned enterprises in its portfolio, as their terms of office expire.** The Board of the Corporation has proceeded to the appointment of new members in the Board of the Public Real Estate Company (ETAD) in March 2022 and the appointment of a new chair of the Audit Committee in the Hellenic Republic Asset Development Fund (TAIPED) in January 2022.<br><br>**The Corporation and the authorities continue assessing the decision** |

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| | **of the Council of State decision relating to the Corporation's ownership of the majority stakes in the water utilities of Athens and Thessaloniki and the effect on the Corporation, with a view to resolving the issues raised.**<br><br>**The Corporation is working on the finalisation of the Technical Supplement to its Investment Policy, which is expected to be finalised by end-May.** The completion of the Technical Supplement will enable the Corporation to begin deploying its investable reserves in accordance with the Investment Policy, which is an important complement to its primary role of creating value from its portfolio of state-owned enterprises and real estate assets.<br><br>**Following the finalisation and signing of the performance contract for the Athens Urban Transport Organisation (OASA),** the joint ministerial decision that allows the payment on the agreed public service obligation on a monthly basis was issued on 30 April 2022 (FEK B' 2135/30.04.2022). The performance contract is intended to set out the financial relationship between the Athens Urban Transport Organisation and the state in clear terms, and link financial transfers by the state to the performance of specific policy objectives. This project is a key element of the Corporation's Coordination Mechanism.<br><br>**Also in relation to the Coordination Mechanism, the Statements of Commitments of each state-owned enterprise in the Corporation's portfolio are in the process of being updated**, **following the approval of the strategic plan.** The Statements of Commitments set out key financial, operational and other objectives for the state-owned enterprises and reflect the strategic priorities set out in the strategic plan. They are expected to be finalised by end-May 2022. |

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| | **The authorities prepared the draft legislation for the modernisation of the institutional framework for state-owned enterprises.** The authorities have engaged very constructively with the institutions on the framework. The draft legislation is an ambitious reform, which 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 legislation is divided in two sections: (i) a section on public limited companies in which the state holds 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 draft legislation aspires to significantly strengthen the corporate governance of state-owned enterprises. For instance, all state-owned enterprises covered by the draft legislation will be required to have an Audit Committee and an internal control unit. The responsibilities between the shareholder and the regulatory functions will also be clarified. With respect to the state-owned enterprises in the Corporation's portfolio, the final legislation is expected to incorporate all the changes identified by the Corporation. The draft was submitted to the General Secretariat for Legal and Parliamentary Matters on 6 May 2022 and it is expected to be enacted by end-June 2022.<br><br>**Efforts to improve the performance of the real estate portfolio continue to fall short in terms of achieving an ambitious yield across the whole portfolio of the Public Real Estate Company**. 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, progress in delivering systemic improvements across the portfolio as a whole is not apparent, despite various attempts and restructuring initiatives over multiple years. An outline of a |

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| | comprehensive strategy to achieve an ambitious yield across the Company's total portfolio is expected by end-May 2022.<br><br>**With regard to the transfer of the eligible real estate assets included in the 2018 package to the Public Real Estate Company, there has been some progress.** The verification process of the real estate assets belonging to the Ministry of Finance was completed in early May and the subsequent transfer of the eligible assets is expected by end-June 2022. As regards the real estate assets belonging to other ministries, the verification process was launched at the end of March and it is expected to be completed by end-June. The eventual transfer of the eligible real estate assets under the latter cluster is expected by end-October 2022.<br><br>Implementation of the Strategic Plan of HCAP will be monitored on a continuous basis. |
| **HCAP.**<br><br>Complete the transfer of the Olympic Athletic Centre **(**OAKA) to HCAP. | **The authorities have advanced with preparatory actions for the development of a detailed feasibility study (including a business plan) for the Olympic Athletic Centre, with a relevant tender scheduled to be launched in June 2022.** The feasibility study will be based on the guidelines of the consultants' strategic action plan, which was finalised on 13 May 2022, and will assess issues such as market depth in order to evaluate the financial feasibility of the various uses under consideration. The respective tender expected to be launched in June 2022 and the detailed feasibility study is expected to be completed in May 2023. A key objective of the overall approach for the Olympic Athletic Centre will be to ensure that it 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. |

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| **HCAP.**<br><br>Completion of the restructuring of ETAD and review/ replacement of all SOE boards. | **Completed.** |
| **Privatisation.**<br><br>The Asset Development Plan will be implemented on a continuous basis.<br><br>With a view to swiftly attracting investment to support a sustained economic recovery, complete the transactions on HELPE, Egnatia, DEPA commercial, regional ports of Alexandroupolis and Kavala, AIA shares, EYDAP and EYATH.<br><br>Complete the transactions on the regional ports Igoumenitsa and Kerkyra, PPC, DEPA infrastructure and Kavala underground storage.<br><br>By mid-2022, complete the transactions on a number of other regional ports, based on the recommendations of the consultants of TAIPED. | **The updated Asset Development Plan, which constitutes the privatisation programme and lays down the next steps for the transactions included in it, was approved by the Board of the Hellenic Republic Asset Development Fund and endorsed by the Government Council for Economic Policy on 5 May 2022.** Progress with specific transactions since the last report has been as follows:<br><br>**Egnatia:** The construction works on four additional toll stations (3 lateral and one frontal) have continued but at a slow pace. In line with the updated timetable submitted in the context of the 14$^{th}$ enhanced surveillance report, the authorities issued the required Joint Ministerial Decision on 13 May 2022, according to which these toll stations will start operating within July 2022. The launch of the construction in the last two lateral toll stations and the finalisation of the construction works in Chalastra is nevertheless still outstanding, but all of which will need to be completed by end-2022 in order to avoid financial sanctions for the state. In total, 17 out of 18 frontal toll stations and 31 out of 40 lateral toll stations are currently operational. With regard to the licensing of the remaining 16 tunnels under category E (i.e. excluding the transport of dangerous cargo), individual studies for each tunnel will be required that will identify what is additionally needed to be done. The tender process to select the technical advisor for those studies has been launched by the Fund in early May 2022, with a view to expediting the process and have the studies completed the soonest possible. The licensing of the tunnels is |

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| | also expected to be completed by end-2022, to allow for the already agreed concession agreement to enter into force.<br><br>**Regional port of Alexandroupolis:** The resolution of the pending issue on the expropriation process of the private properties in the land zone area of the port of Alexandroupolis is in progress and a “reasonable” compensation for the expropriation has been judicially determined. 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 June 2022. The selection of the preferred investor is expected by end-July and the financial closing by end-December 2022.<br><br>**Regional port of Kavala:** One binding offer was submitted on 28 February, and the selection of the preferred bidder took place on 6 May 2022. Financial closing is expected by end-December 2022.<br><br>**Regional port of Igoumenitsa**: The updated documents (Sale and Purchase Agreement, Shareholders’ Agreement and Concession Agreement) were uploaded on the virtual data room on 18 April 2022. The pending issue on the determination of the land 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 and the selection of the preferred investor is expected in the third quarter of 2022. Financial closing is expected by the end of 2022.<br><br>**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 was completed on 7 April, thus launching the binding offers phase for the transaction. The submission of |

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| | binding offers is scheduled by end-October 2022.<br><br>**Public Gas Corporation (DEPA) Infrastructure**: **Public Gas Corporation (DEPA) Infrastructure:** The Hellenic Competition Commission provided its approval for the preferred investor on 15 March. The certification of the preferred investor by the Regulatory Authority for Energy is expected by end-May. The financial closing of the transaction is expected by mid-June 2022 for a financial offer of €733 million (this corresponds to €476 million for the 65% stake held by the Fund).<br><br>**Public Gas Corporation (DEPA) Commercial:** Pending clarity on the outcome of a pending legal case, whereby the final decision is expected to be issued first in 2-3 years, the current tender cannot proceed. Hence, the Fund is considering other transaction structures.<br><br>**Underground Natural Gas Storage (UGS) South Kavala:** The first draft Concession Agreement is expected to be shared with Prequalified Investors by end-May 2022. The open issue on tariff setting framework is expected to be resolved via the issuance of the decision of the Regulatory Authority for Energy by end-May 2022. The decision was under public consultation till 11 April. The submission of binding offers is expected by end-July and the selection of the preferred investor by end-October 2022, subject to the timely issuance of the tariff setting framework by the Regulatory Authority for Energy.<br><br>**Gournes Heraklion**: The development of Gournes is described by many as a smaller Hellinikon project. The transaction concerns the development of part of the former U.S. base in Gournes, in Heraklion on Crete, Following the nomination of the preferred investor, for a financial offer of €42.2 million, the file of the tender process has been submitted to the Hellenic Court of Auditors on 2 March 2022 for pre-contractual review. |

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| | The financial closing is expected in the fourth quarter of 2022.<br><br>**Attiki Odos**: 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 Fund is conducting an international public tender for the award of a concession agreement for the operation and maintenance of the Attiki Odos for a period of 25 years. Eight interested parties submitted their expression of interest on 5 May 2022. 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 allowing the launch of the binding offers phase for the transaction in July. The submission of binding offers is scheduled for the end of 2022.<br><br>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.<br><br>Implementation of the Asset Development Plan will be monitored on a continuous basis (see Annex). |
| **Privatisation.**<br><br>With a view to swiftly attracting investment to support a sustained economic recovery, complete the transactions on the AIA concession, Hellinikon, DESFA, Marina of Alimos. | **Completed.** |

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| **Public administration.**<br>Complete the integrated HR Management System (digital organigram for all public entities and link with single payment authority). | **Completed.** |
| **Public Administration.**<br>Complete reforms to modernise human resource management in the public sector, and in particular the appointment of Administrative Secretaries and all Directors General according to law 4369/2016. | **Completed.** |
| **Public administration.**<br>Independent assessment of the appointment process for senior management, including follow up measures | **Completed.** |
| **Public administration.** Complete the 3rd cycle of mobility and performance assessments. | **Completed.** |
| **Legal codification.**<br>In view of enhancing legal certainty and access to law through legal codification, adopt the Labour Law Code and Code of Labour Regulatory Provisions. | **While the codification process has started, the adoption of the consolidated Labour Law Code and Code of Labour Regulatory Provisions has been postponed to October 2022 due to a recent significant reform of the Public Employment Service, which will need to be included in the codification process.** Work by the Ministry of Labour and Social Affairs on the codification of labour legislation continues in close collaboration with the Central Codification Committee. However, due to a recently adopted law improving the functioning of the labour market (law 4921/2022 on the public employment service reform and on active and passive labour market policies), the previous timetable |

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| | for the completion of the codification process has been adjusted accordingly. The Ministry of Labour and Social Affairs delivered the first draft to the Secretariat General for Legal and Parliamentary Affairs for review on 3 May. The draft codified legislation will be presented by June. The Central Codification Committee will proceed with the review of the codified legislation as a priority. The adoption of the codified texts will follow by October 2022. |
| **Legal codification.**<br><br>Complete the National Gateway for Codification and Reform of Greek Legislation. | **Completed.** |
| **Fight against corruption.**<br><br>Implement all recommendations addressed by the Group of States against Corruption (GRECO). | **The authorities have put in place significant measures to implement the remaining recommendations from the fourth evaluation round of the Group of States against Corruption (GRECO), and the commitment can be considered as satisfactorily completed.**<br><br>1. Recommendation to enhance the selection of senior judges and prosecutors, and disciplinary proceedings: The new Code on the Organisation of Justice and the Status of Judges of the courts that was submitted to the General Secretariat for Legal and Parliamentary Affairs on 13 May 2022 and is to be tabled to Parliament shortly thereafter, tightens the rules, within the current constitutional framework, for promotion of judges and prosecutors to senior positions. Particularly, the new code provides that certain senior positions of the three supreme courts will be fulfilled from a list including the most senior judicial officers who have the formal qualifications for these positions.<br><br>2. Recommendation on providing guarantees against delays and |

| Commitment | State of play and next steps |
|---|---|
| | improving caseload management: Specific measures to address this recommendation have been implemented including: (i) The above-mentioned Code on the Organisation of Justice and the Status of Judges contains provisions that aim at strengthening procedural guarantees against delays, and the role of judges and prosecutors as regards caseload management. In this respect, the code introduces provisions on the evaluation and disciplinary actions against judges, as well as on channels for complaints. (ii) The Mediation Law that entered into force in November 2019, which facilitated mandatory mediation under certain conditions in civil, commercial and family cases, before such cases are processed in court. A similar procedure is followed in criminal cases according to the Criminal Procedure Code that was adopted in November 2019, which introduces the option for an agreement between the prosecution and the defendant, to minimise the number of cases that require court hearing. (iii) Improvements to the Code of Civil Procedure effected in January 2022 to simplify, digitalise and accelerate trial proceedings and to enhance legal certainty. (iv) The implementation of IT case management systems and the establishment of JustStat unit for judicial data collection. Further, additional upcoming initiatives are expected to assist in accelerating justice, such as the provision of training to judges and judicial clerks, the establishment of judicial police, and the review of the judicial map.<br><br>3. Recommendation on setting clear standards of professional conduct and integrity: The Council of State published in March 2022 an ethics charter for administrative judges, while an ethics charter for the Court of Audit judges has already been adopted since November 2020. In addition, a working group will be drafting a code of conduct for judges and |

| Commitment | State of play and next steps |
|---|---|
| | prosecutors of the civil and criminal courts.<br>GRECO will continue monitoring remaining parts of certain recommendations, and has asked the authorities to submit additional relevant information in the course of 2023. |

**Complementary commitments undertaken by Greek authorities in May 2020**

| Complementary commitment | State of play and next steps |
|---|---|
| **Justice.**<br>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 new Code on the Organization of Justice and the Status of Judges is expected to be tabled to Parliament by end-May 2022.** The authorities have started the adoption process for the code on 13 May 2022 by submitting the draft code to the General Secretariat for Legal and Parliamentary Affairs. The adoption of the code by the Parliament will follow shortly, completing the reform. The code is expected to enter into force upon publication in the Official Journal, with the notable exception of the section on evaluation matters, which is set to enter into force at the beginning of the new judicial year in mid-September 2022 so as not to disrupt pending proceedings. |
| **Justice.**<br>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 presidential decree on the establishment, organization and operation of the Office for the Collection and Processing of Judicial Statistics (JustStat) will be adopted with an eleven-month delay by end-May 2022, which will complete the reform.** The authorities are in the process of appointing the members of the supervisory committee, which is expected to come to order by end-June 2022. The JustStat department will operate at the central level as a department of the Ministry |

| Complementary commitment | State of play and next steps |
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| | of Justice and will systematically collect, aggregate, process and publish judicial data from the courts and prosecutor's offices of Greece; it will also safeguard and improve on a permanent basis the quality of judicial statistics. |
| **Public administration.**<br>Strengthen the hiring control of the public sector through setting an annual ceiling of temporary staff. | **A needs assessment of permanent and temporary teachers has been prepared by the Ministry of Interior and is expected to feed into the hiring plan for 2022 and beyond.** The needs assessment was carried out by the Ministry of Interior and is currently under review by the Ministry of Education and Religious Affairs and is expected to be finalised by end-May 2022. The needs assessment is expected to improve the predictability of the needs for permanent and temporary teachers, including special needs teachers, in the short and medium-term. The findings of this needs assessment is expected to be reflected in the annual hiring plans for permanent staff going forward. Further, all temporary teachers will fall under the overall ceiling for temporary staff, which is being applied as of 2022 and will see an overall reduction by, at least, 10% compared to 2021.<br>**Legal provisions to address a number of identified deviations from the unified wage grid have been prepared and a new methodology for granting allowances for hazardous and arduous jobs is planned to be in place by August 2022.** First, following the preparation of a comprehensive list of deviations from the unified wage grid, which listed 160 legal amendments adopted since 2015, draft legal provisions are expected to be adopted by end-May 2022. These draft provisions address some of the identified deviations, such as remuneration for management posts and travel expenses, and aim to ensure consistent application of the unified wage grid across the public administration. Second, following the |

| Complementary commitment | State of play and next steps |
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| | public consultation where social partners provided comments, the new methodology for hazardous and arduous work allowance was updated. Secondary legislation is planned to be in place by June 2022 with the new methodology being implemented as of August 2022. The completion of these two work streams would mark concrete progress in relation to the authorities' commitment to strengthen central control of hiring and salary provisions.<br><br>**A law adopted in March 2022 on the management for the National Strategic Reference Framework (2021-2027) included temporary provisions on the appointment of managers, which are not fully consistent with the procedure that is currently applied in the public administration.** The authorities clarified that any appointment made using these temporary provisions will only be valid until the completion of the regular appointment process, which is expected to be launched in June 2022 and completed by mid-2023. A Ministerial Decision that will specify the temporary provisions has been prepared and is expected to be adopted shortly; it includes the establishment of a selection committee, which is chaired by a member of the Supreme Council for Civil Personnel Selection.<br><br>**The appointment process to select a Permanent Secretary at the Ministry of Education and Religious Affairs has been launched and is expected to be completed by July 2022.** Following extended discussions, a legal amendment was adopted, which was aligned with the principles of the Executive State Law that established the Permanent Secretary post. This allowed the appointment process for a Permanent Secretary at the Ministry of Education and Religious Affairs to be launched by the Supreme Council for Civil Personnel Selection (ASEP), which oversees |

| Complementary commitment | State of play and next steps |
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| | this appointment process. |
| **Management of public real estate.**<br>Draw up a holistic and coherent strategy aiming to optimize the protection, management and investment-oriented exploitation of public real estate, including all organizations involved with public real estate management, without prejudice to their mandates. | **The Hellenic Corporation of Assets and Participations proceeded on 15 April to selecting the consultant that will work on the study for the elaboration of a holistic and coherent real estate strategy.** The work started thereafter, with the draft strategy expected by end-June 2022 and the final strategy by mid-August 2022. |
| **Public procurement.**<br>Adopt a new public procurement strategy for 2021-2025 by end 2020. | **The authorities adopted the final piece of secondary legislation critical for the implementation of the public procurement law, therefore successfully completing this commitment.** The legislation concerns the set-up of a new legal entity, the “Pricing and Specifications of Construction Works and Design Services Company (PRI.SPE.CO.)”, which will develop and maintain a new integrated system for technical specifications and costing of technical works. The legislation specifies the objectives and operational aspects of the new system, notably the price observatory and the common technical specifications system, as well as the organisational and managerial arrangements for the new entity, including its responsibilities, funding, and management bodies. |
| **Education.**<br>Enhance the autonomy of higher education by strengthening the accountability and transparency framework and through the introduction of the University Councils. | **The authorities have prepared and submitted to the Council of Ministers a bill on higher education, which enhances the organizational and educational autonomy, flexibility and efficiency of higher education institutions, delegates some decision-making authority from the Ministry to the universities and streamlines their governance.** The governance of higher education institutions will be overhauled with the introduction of university councils to supervise the universities. This is coupled with new instruments such as multi-annual |

| Complementary commitment | State of play and next steps |
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| | strategic planning, programmatic agreements with the Ministry of Education, digital transformation and the link of the operation of universities with the sustainable development goals. The universities will be able to found degrees without the involvement of the Ministry of Education, after certification by the independent certification agency. The bill allows universities to grant joint-degrees in cooperation with faculties from other local and foreign institutions with the objective to better align the offered degrees to the needs of the labour market. The creation of master degrees is facilitated and executive master degrees conducted in cooperation with the industry are introduced. The bill is expected to be tabled into Parliament in June 2022. |

# Annex to the Communication from the Commission

EUROPEAN
COMMISSION

Brussels, 23 May 2022

COM(2022) 629 final

**ANNEX**

***to the***

**COMMUNICATION FROM THE COMMISSION**

**Enhanced Surveillance update - Greece, May 2022**

**Reform steps agreed for completion by October 2022 in the context of the last disbursement of debt relief measures**

**<u>Fiscal and fiscal-structural reforms</u>**

- **Fiscal.** Greece presents its 2023 Draft Budgetary Plan compliant with the Stability and Growth Pact.
- **Arrears.** Material clearance of non-pension arrears and full clearance of pension arrears (due in August).
- **Tax administration.** Operationalisation of the complete IT system in local tax offices incl. Attica and Thessaloniki (due in September).

**<u>Health care</u>**

- **Collection of clawback:** For providers, notification to providers and start of the administrative procedure for the collection of the remaining 30% of the 2021 clawback through instalments (enrolment of providers into instalment scheme) to be achieved by end-July; collection of at least 35% of the providers clawback for 2022 by October. For pharmaceuticals, completion of the calculation of the 2021 clawback by June; collection of 95% of rebates for 2021 by July; collection of at least 35% of the clawback of the second semester of 2021 and at least 50% of the overall clawback for 2021 by October.
- **Primary health care:** Substantial progress towards the implementation of the primary health care system including: i) by early-June, the secondary legislation will be adopted, ii) by end-June, the IT infrastructure for registration and appointments will be completed, and patient registration will start with the objective of reaching 25% of the total population registered in the system by end-October and 50% by end-2022; iii) by end-July, the registration of self-employed family doctors to the system will reach a level that allows to cover at least 85% of the population; iv) by October, the incentives/disincentives scheme for registration and gatekeeping will be activated.
- **Centralised procurement:** Verification of the target being met; regular updates on progress with procurement activity up to October.

**<u>Financial sector reforms</u>**

- **Insolvency framework:** Launch of Competitive Dialogue for the sale-and-leaseback entity with pre-selected interested investors (end-September).
- **State guarantees backlog:** Progress with processing of claims and actual payments according to agreed targets in the April 2022 clearance plan. In particular, called guarantee claims worth EUR 470 million will be examined by September 2022, with payments of EUR 156.5 million in the same period.
- **Elimination of the backlog of household insolvency cases:** 95% of cases with re-defined hearing dates ([45]) will have a hearing date set by end-October; of which 70% will be no later than the end of 2022; the remaining 5% of re-defined cases will have a hearing date set at the latest by end-2022; final court decision, which will close the case, will be issued for 25% of the cases that have been heard until end-October.

([45]) Law 4745/2020 (OJ A 214/06 November 2020) put in place a mechanism allowing household insolvency debtors, who had already petitioned the courts for a reduction and rescheduling of their loan, to file a request for the replacement of a distant hearing date by one in the nearer future (i.e. re-defined hearing dates).

## Structural reforms

- **Justice.** The enhanced functionality of the e-filing platform in administrative courts will be fully developed and put in pilot mode operation until end-June 2022. Upon successful completion of the pilot phase, the enhanced functionality will be fully available.
- **Cadastre.** Progress according to the agreed road map. In particular, 65% of total property rights will be in operation or publicly presented and ratification of 95% of forest maps will be completed by end-September.

## Hellenic Corporation of Assets and Participations (HCAP) ([46])

- **Implementation of the Strategic Plan:** Legislation to modernise the legal framework for state-owned enterprises will be adopted (June). The eligible portion of 10 119 real estate assets belonging to the Ministry of Finance will be identified and transferred to the Public Real Estate Company (ETAD) by end-June. For the real estate assets belonging to other ministries, the completion of the verification process is planned for end-June and the eventual transfer by end-October.
- **Transfer of the Olympic Athletic Centre (OAKA) to HCAP:** Further progress on the preparation of the detailed feasibility study, including a relevant business plan, based on the guidelines depicted in the consultants' strategic action plan.

**Privatisation.** All outstanding actions from the Asset Development Plan will continue to be monitored. In particular:

- **Public Gas Corporation (DEPA) Infrastructure:** Financial closing is expected by mid-June.
- **Egnatia Odos:** Completion and operation of one frontal and three lateral toll stations and the submission of the file to the Court of Audit by end-July.
- **Gournes Heraklion:** Financial closing is expected in the fourth quarter of 2022.
- **Attiki Odos:** Launching of the binding offers phase is expected in July.
- **Regional port of Alexandroupolis:** The selection of the preferred investor is expected by end-July.
- **Regional port of Igoumenitsa:** Submission of binding offers and selection of the preferred bidder in the third quarter of 2022.
- **Concession of Underground Gas Storage of South Kavala:** Binding offers in July and selection of the preferred investor by October subject to the timely issuance of the tariff setting framework by the Regulatory Authority for Energy.
- **Regional port of Heraklion:** Submission of binding offers is scheduled by end-October.

**Legal codification.** The draft codified legislation will be presented by June and all codified labour legislation will be adopted by October.

([46]) Continuous monitoring will be ensured through the Commission and the Euro Working Group observers at the Hellenic Republic Asset Development Fund (TAIPED) board meetings, the joint Commission and ESM observers at the Hellenic Corporation of Assets and Participations (HCAP) board meetings, and corresponding arrangements in the ESM Financial Assistance Facility Agreement (FFA).

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