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## COMMUNICATION FROM THE COMMISSION

### Enhanced Surveillance update – Greece, February 2020

{SWD(2020) 45 final}

#### BACKGROUND

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

**Enhanced surveillance provides a comprehensive framework for monitoring economic developments and the pursuit of policies needed to ensure a sustainable economic recovery.** It allows for a regular assessment of recent economic and financial developments in Greece, as well as for monitoring sovereign financing conditions and updates of the debt sustainability analysis. Enhanced surveillance also provides the framework for assessing the general commitment given by Greece to the Eurogroup of 22 June 2018 to continue and complete reforms adopted under the European Stability Mechanism programme and to ensure that the objectives of the important reforms adopted under the financial assistance

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<sup>(1)</sup> Regulation (EU) No 472/2013 of the European Parliament and of 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 L 140, 27.5.2013, p. 1.

<sup>(2)</sup> Commission Implementing Decision (EU) 2018/1192 of 11 July 2018 on the activation of enhanced surveillance for Greece (OJ L 211, 22.8.2018, p. 1), Commission Implementing Decision (EU) 2019/338 of 20 February 2019 on the prolongation of enhanced surveillance for Greece (OJ L 60, 20.2.2019, p. 17), Commission Implementing Decision (EU) 2019/1287 of 26 July 2019 on the prolongation of enhanced surveillance for Greece (OJ L 202, 31.7.2019, p. 110), Commission Implementing Decision 2020, C(2020)901 of 19 February 2020.

programmes are safeguarded. In that context, enhanced surveillance monitors the implementation of specific commitments to complete key structural reforms started under the programme in six key areas by agreed deadlines up to mid-2022, namely: (i) fiscal and fiscal-structural policies, (ii) social welfare, (iii) financial stability, (iv) labour and product markets, (v) privatisation, and (vi) the modernisation of public administration<sup>(3)</sup>. Ten specific commitments have a deadline of end-2019, progress on which is assessed in this report, while follow-up actions to previous commitments are also monitored.

**This is the fifth enhanced surveillance report for Greece.** It is issued alongside the 2020 Country Report for Greece under the European Semester. This report is based on the findings of a mission to Athens between 22 and 24 January 2020 conducted by the Commission in liaison with the European Central Bank<sup>(4)</sup>. The International Monetary Fund participated in the context of its Post Program Monitoring cycle, 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.

## OVERALL ASSESSMENT OF PROGRESS WITH REFORM COMMITMENTS

**This report concludes that Greece has progressed well in implementing its specific reform commitments for end-2019. The supplementary measures that are being implemented or announced by the government should allow for their completion in time for the sixth enhanced surveillance report scheduled for May 2020. This requires continuous engagement of the Greek authorities in particular in the financial sector, where significant further action is needed.**

- The ten specific commitments due by end-2019 include important reforms aimed to increase the efficiency of the Greek public sector, strengthen the effectiveness of social policy, advance the privatisation agenda and further improve the quality of the business environment. The authorities have completed or are about to complete shortly some of the key commitments, including the capacity-enhancing reforms to the Independent Authority for Public Revenue, or the digital organigrams for the public sector, which are part of the Human Resources Management Strategy. The timelines for the delivery on other key specific commitments have been adjusted in view of the complexities of the projects or inherited delays. This was the case, for instance, for the roll-out of the labour-market pillar of the Social Solidarity Income scheme, which aims to promote long-term and sustainable employment growth, or the privatisation agenda, despite the momentum maintained from the last report. A full overview is provided in the Annex. The authorities are encouraged to present complementary measures with a view to ensuring adequate reform progress on the reforms where timelines were adjusted, such as in the areas of public finance management or the regulatory burden on businesses.

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<sup>(3)</sup> [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](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).

<sup>(4)</sup> 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 13 to 21 January 2020.

- Regarding their continuous commitments, the implementation of the Strategic Plan of the Hellenic Corporation of Assets and Participations is ongoing and there is progress on a number of transactions of the Asset Development Plan, while the implementation of the arrears clearance plan and collection of health care clawback need to accelerate. Regarding the financial sector commitments, some progress continues on reforms needed to clean up the stock of non-performing loans. However, there is still a need to significantly prioritise and speed up certain important actions. In particular, the clearance of the backlog of household insolvency cases is behind schedule and progress in addressing impediments to successful e-auctions remains limited.
- The authorities are simultaneously progressing on their mid-2020 commitments, which will be assessed in the second half of the year. They are undertaking their efforts in close cooperation with the institutions, and are pursuing measures beyond the Eurogroup commitments in the context of their broader reform agenda, for instance in the area of good law-making, digital governance and education.

## ECONOMIC AND FISCAL OUTLOOK

### **The economic recovery continued in 2019 and is expected to strengthen going forward.**

Economic growth is expected to reach 2.2% for 2019, well above the euro area average of 1.2%, mainly on account of strong export performance. A strong tourism season boosted service exports but also goods exports remained resilient despite the lower growth in the euro area. Economic growth is expected to increase to 2.4% in 2020, with domestic demand gaining momentum, supported by positive expectations and the growth-friendly tax shift incorporated in the 2020 budget. The recovery of the labour market is expected to continue, and unemployment to fall to 15.2% in 2020, whereas inflation is forecast to remain muted in the near term.

**The outlook remains subject to both upside and downside risks.** Recent statistical revisions and indicators capturing business and consumer expectations point to upside risks for 2019 and 2020. The projection remains cautious regarding the contribution of the external sector to growth in 2020, also in view of the slowly increasing unit labour cost in Greece, but the gains in Greece's export market shares seen in 2019 and before could prove more durable, especially if coupled with productivity increases. Downside risks are mostly related to the uncertain geopolitical situation and lasting political tensions in the wider region, as well as the under execution of planned public investment projects and their effects on domestic demand. The projection is contingent upon maintaining the reform path agreed under enhanced surveillance. In particular, provision of investment financing through the banking sector will depend on a swift implementation of financial sector reforms, devised to support banks' intermediation capacity.

### **Based on the preliminary data for 2019, Greece is set to overachieve the primary surplus target of 3.5% of GDP, outperforming its fiscal targets for the fifth year in a row.**

The primary surplus is expected to reach around 4% in 2019, after taking into account the EUR 186 million 'social dividend' distributed to vulnerable households and the clearance of EUR 200 million of pending public service obligation at the end of the year. This corresponds to a headline surplus of about 1.6% of GDP, compared with a deficit of 0.8% of GDP projected for the euro area. Before the end-year payments, the over-performance vis-à-vis the 3.8% of GDP balance projected in the previous report would have reached about 4.2% of GDP. The difference can be attributed mainly to better-than-expected revenues from social

contributions and taxes, and to the under-execution of the consumption expenditure. Part of the higher revenue outturn was due to one-off factors.

**While having a broadly neutral impact on the balance, general government investment was by 1.1% of GDP lower than initially planned.** To address the recurrent underspending in the Public Investment Budget, the authorities have started to implement an action plan to improve its monitoring. The action plan is currently on track with a delivery by end-2021. Plans to create a project preparation facility are at an early stage but are expected to help to a more targeted and increased execution of the Public Investment Budget. Under-execution of the Public Investment Budget is a growing concern also in the context of the technical work on the possible use of the SMP-ANFA income equivalent amounts for agreed investments (see also below).

**The authorities have started to implement the 2020 budget, which was assessed as compliant with the fiscal target of 3.5% of GDP in the previous report, and they expect that fiscal space would emerge in spring to finance additional measures.** The government is aiming to further reduce the ENFIA property tax while increasing its tax base, and to reduce the special solidarity levy and social security contributions. To that aim, the gradual reduction of the corporate income tax to 20%, announced in July 2019, risks being postponed. An assessment of these measures will be carried out in the context of the preparation of the Medium-term Fiscal Strategy, due in May 2020, together with a re-assessment of some of the minor fiscal measures included in the 2020 budget. The Medium-term Fiscal Strategy is also expected to reflect the upcoming pension reform, which is currently being designed with a view to responding to the 2019 Council of State ruling in a fiscally neutral manner, and the cost of clearing the stock of called state guarantees for bank loans, worth 1.1% of GDP within five years.

**Given the accelerating migration flows, the authorities pointed out that the current migration adjuster does not capture fully the total costs of the migration crisis<sup>(5)</sup>.** The agreed migration adjuster allows to remove up to 0.2% of GDP of migration-related expenditure (net of EU funds) from the primary balance but based on the current methodology the actual amounts deducted from the primary balance are consistently well below this level. The authorities and the European institutions have started to assess the obstacles that prevent the authorities to account for the total costs in the adjuster and will report on the findings in the next report.

**Overall, Greece's fiscal and economic outlook has improved.** The continued solid fiscal performance and the growth-friendly policy agenda have made their impact on the economic climate as sentiment indicators approach pre-crisis levels. Greece has been successful at re-entering the sovereign bond markets achieving historically low yields. Yield spreads have considerably narrowed in the past year and the improved outlook for the Greek economy has led to gradual a upgrading of Greece's credit rating. Upholding reform commitments will be key to sustaining medium and long-term growth prospects.

**Despite the positive outlook, Greece's public finances continue to face fiscal risks, which are difficult to quantify at this stage.** First, notwithstanding the recent Council of State

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<sup>(5)</sup> The definition of the migration adjuster currently in place can be found in the Commission Opinion on the Draft Budgetary Plan of Greece, SWD(2018) 516, footnote 5.

[https://ec.europa.eu/info/sites/info/files/economy-finance/c\\_2018\\_8016\\_el\\_en.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/c_2018_8016_el_en.pdf)

ruling regarding the past pension reforms, a large number of cases claiming retroactive payments to pensioners are still pending and will be addressed by the Council of State through a ‘pilot trial’ to ensure a harmonised approach in all courts. An additional fiscal risk stems from the litigation cases of Attikos Helios, a company operating in the tourism and hospitality industry, against the Public Real Estate Company. The case is currently pending before the Athens Court of Appeal. Additional fiscal pressures might be caused by the planned arrangements concerning the private supplementary pension fund of the National Bank of Greece (a private commercial bank). The fiscal impact will depend on the timing of statistical recording of the transfer of the pension liabilities to the general government as well as on the rulings of two pending court cases involving all parties concerned (the state, the bank and pensioners).

**Technical discussions on the possible use of SMP-ANFA income equivalents for reducing gross financing needs or other agreed investments have started.** Following up on the respective mandate given by the Eurogroup in December 2019 <sup>(6)</sup>, the authorities shared their initial considerations regarding the use of SMP-ANFA income equivalents and related impact on the structural balance during the enhanced surveillance mission. The European institutions are engaging with the authorities at technical level, with a view to reporting back to the Eurogroup in June 2020. There is a general understanding that investments shall be growth-enhancing. The authorities also proposed to consider establishing a fiscal smoothing mechanism allowing to take into account the past over-performance of primary surplus targets in the following year, as well as reducing the primary surplus target up to 2022. Any proposal which alters the agreement reached with European partners in June 2018, would need to be discussed at the Eurogroup and take into account compliance with the EU fiscal framework and debt sustainability.

## **SOVEREIGN FINANCING AND DEBT SUSTAINABILITY**

**Greece strengthened its presence on the sovereign bond market, by issuing new bonds in January 2020.** In particular, a 15-year bond was issued at the end of January with an amount of EUR 2.5 billion. Amidst strong investor interest, the final order book was close to EUR 19 billion, and the achieved yield of 1.9% came below the expectations. Some 84% of the auctioned bond was sold to foreign investors, mainly real money investors. It was the first time that Greece issued a bond with such a long maturity on an open auction since the crisis, and also the first time it issued a bond that matures after the end of the current deferral period of the European Financial Stability Facility loans, i.e. after 2032. This indicates that the investors see limited roll-over risk also on this horizon. Based on the funding strategy, further bond issuances can be expected this year, which might finance further early repayments of official and private sector debts. Sovereign yield spreads have further decreased, with 10-year spreads vis-à-vis Germany reaching levels of 140 basis points in mid-February, while Greece’s credit rating improved further. Greece continues to maintain its significant cash buffer, with state cash reserves estimated at some EUR 23.5 billion at end-2019, sufficient to cover financing needs for more than two years if the primary balance targets are met.

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<sup>(6)</sup> The Eurogroup gave a mandate to the European institutions to initiate technical work on the possible use of ANFA and SMP income equivalents to reduce gross financing needs or to finance mutually agreed investments, in line with the agreed fiscal targets and the June 2018 Eurogroup statement. Eurogroup statement on Greece of 4 December 2019: <https://www.consilium.europa.eu/en/press/press-releases/2019/12/04/eurogroup-statement-on-greece-of-4-december-2019/>.

**A sequential update of the debt sustainability analysis has been carried out.** The update of the macroeconomic assumptions and recent bond issuance data suggest that debt would remain on a downward trend (except for a level-shift due to the capitalisation of the deferred interest in 2033), but above 100% of GDP until 2040. A second scenario with an additional update of the interest rates as modelled under the current framework suggests that debt would remain above 100% of GDP until 2039. Greece's gross financing needs reach around 13.5% of GDP in the first scenario and 12% of GDP in the second scenario at the end of the forecast horizon. A comprehensive revision of the framework of assumptions underlying the Debt Sustainability Analysis used by the European institutions is ongoing and will be completed by the time of 6<sup>th</sup> enhanced surveillance report.

## **TAXATION AND PUBLIC FINANCIAL MANAGEMENT**

**Important progress has been made towards the broadening of the tax base for the 2020 ENFIA property tax exercise, widening the share of population covered by the zonal system from 85% to 98%.** A new nationwide revaluation exercise is expected to finish in spring 2020, with a view to aligning the property tax values to market prices by mid-2020, which is a specific commitment. The 2020 budget implies an almost fiscally-neutral property tax exercise based on the new values, with a small increase of EUR 140 million in ENFIA revenues compared to 2019. The base widening might give scope to restructure property tax rates and thresholds.

**The number of staff at the Independent Authority for Public Revenue increased during 2019 but fell short of the end-2019 target (an end-2019 specific commitment, replaced by equivalent measures).** The number of staff increased in 2019 to 11,902, up by 264 compared to the beginning of the year. However, given the accumulation of previous delays, the actual staffing level remained lower than the initial target of 12,500. The renewal of the mandate of the Governor of the Independent Authority provides for continuity and will facilitate its transformation into an efficient and effective tax authority in line with best practices.

**The complementary measures agreed in view of the undershooting of the staffing target have seen overall good progress, in particular as concerns human resources reform and housing issues, and are expected to advance further until end-April 2020.** The supplementary grading legislation, which is a pre-requisite for human resources reform, has been adopted, and the follow-up legislation defining the remuneration framework in relation to the grading system is due to be adopted by the end of April. Regarding the IT framework, the key areas have been identified where competencies and resources between the Authority and the relevant services of the Ministry of Digital Governance will need to be clarified by April 2020, which should allow for a Service Level Agreement to be agreed by mid-2020. Finally, a detailed roadmap for the relocation of the Authority into one location has been defined with the decision for the public entity currently occupying the premises to move out as well the offer for the Authority to secure its lease expected by March 2020. According to the roadmap the Authority is expected to move into its new premises by April 2021.

**The authorities are making progress on a number of key projects enhancing the capacity of the Authority and are preparing a more ambitious plan to combat smuggling.** Work is ongoing on an IT system for an end-to-end collection system (a mid-2021 specific commitment) and the 'model collection office', while plans for introducing electronic invoicing in 2020 are advancing. The authorities are also planning to strengthen the Operational Coordination Centre, which was established as a programme commitment with

the mission to fight smuggling and to coordinate the relevant services. The Centre has recently seen its capacity reduced as the staff secondments have not been renewed and primary legislation to address this issue is expected to be adopted shortly. The authorities plan to raise the membership of the Centre's steering committee to the level of deputy ministers and the Governor of the Authority, which would result in a more efficient coordination. The Centre will operationally remain integrated into the structure of the Authority and will see its overall capacity being enhanced.

**The authorities re-opened the 120 instalment scheme for social security contributions for those who dropped from the scheme, which has raised some concerns as regards the credibility of the authorities' commitment to terminate the practice of providing lengthy ad hoc instalment schemes.** The authorities argued that many debtors had involuntarily dropped out from the scheme due to errors in the IT system. However, the adopted legal provision that made re-entry possible by end-May 2020 appears disproportionately generous, both as regards the length of the period for re-entry and eligibility, as it allowed to re-enter also debtors who genuinely failed to comply with the rules. It is therefore welcomed that the authorities submitted an amendment to this law that will shorten the period to the end of March 2020 and will also limit the eligibility to re-enter.

**The stock of net arrears reached EUR 1.2 billion at end-2019, which was EUR 220 million above the target of the October 2019 clearance plan (a continuous commitment).** Compared to August 2019, the stock of net arrears decreased by EUR 50 million. Inefficiencies in the clearance of pension claims and mistakes in computing accurately the net stock of pension claims arrears account for most of the slippages. Some gaps compared to the target have been observed also in arrears of the state and local governments. Additional measures, focusing in particular on pension arrears, are being prepared and some have already started to be implemented. The measures include a number of legislative amendments to regulate payments of certain arrears, closer monitoring, additional training and exchange of best practices. The authorities remain committed to the October 2019 clearance plan and expect the target of clearing the pending pension claims by mid-2021 to be achieved.

**While the net stock decreases, new arrears continue to be created, which points to weaknesses in the payment chain and internal control functions.** In the context of establishing timely payment chains, the lack of effective internal control mechanisms is still a cause of concern and a factor slowing down the processing of payments, especially in entities where the ex-ante audits performed by the Court of Audit have recently been phased out. The Court is conducting a broad survey on the matter across the public administration with a view to accelerating the establishment of effective internal control systems by the end of the current year, and providing further guidance if necessary. The General Accounting Office committed to examine the recommendations on streamlining the payment chain through a recent technical support project provided by the International Monetary Fund and to adopt mitigation actions when necessary.

**The framework for the cash monitoring of the general government Treasury account system has been put in place, while a pilot project on cash forecasting is being implemented (both are end-2019 specific commitments).** All significant general government entities have opened accounts at the Bank of Greece and use it to receive state grants or subsidies. Some small entities have not joined the scheme yet but the General Accounting Office foresees to take steps shortly to ensure full coverage. A pilot project on

cash forecasting started at the end of 2019 and will result in the development of a strategy for its roll-out to the rest of the entities by October 2020. In view of its complexity, the project will be assessed based on an interim report due by end-March and a draft roll-out strategy by end-April.

**The overall implementation of the Unified Chart of Accounts, a mid-2021 specific commitment for central administration, is progressing but its implementation across the entire central government, including in the Public Investment Budget, remains a challenge.** The governance structure of the Chart of Accounts project has been considerably reinforced and it is now regarded as a broad public finance management tool, encompassing procurement and e-invoicing. However, the full implementation of the Chart of Account in the Public Investment Budget is not showing sufficient progress. The revised plan of the authorities' will require further work, in particular regarding the implementation of the Chart of Accounts in the budget planning phase, while fully respecting the accrual accounting principle.

## **SOCIAL WELFARE**

**Although the social situation is still difficult, it is expected to continue improving, thanks to the combined effect of the economic recovery and the social welfare reforms that have taken place in the last years.** Major steps have been taken to improve the efficiency, effectiveness and adequacy of the social welfare system: the introduction of a guaranteed minimum income scheme and the housing benefit. According to the latest available data, between 2017 and 2018, the share of people at risk of poverty or social exclusion declined from 34.8% to 31.8%, while the percentage of severe material deprivation decreased from 21.1% to 16.7%. While the housing benefit provides support towards rental costs for vulnerable households, there is no similar, permanent support for vulnerable home-owners with a mortgage <sup>(7)</sup>. The completion of the reform of the disability benefit system and the review of the system of subsidies for local public transport could further improve the efficiency of the welfare system.

**The authorities are preparing adjustments to pension legislation to comply with the 2019 Council of State decision.** The adjustments will include higher accrual rates for careers above 30 years, a new system of social contributions for the self-employed, and a return to the pre-2014 levels of supplementary pensions, the cut of which was judged unconstitutional. The increase in the accrual rates will further increase the generosity of the system for persons with longer careers leading to high average replacement rates by European standards. Regarding social contributions, the authorities plan to de-link the contributions paid by the self-employed from their declared income, while increasing the minimum amount paid. The projected impact of the new measures is below 0.5% of GDP, which the authorities plan to finance by redirecting (part of) the resources from the 13<sup>th</sup> pension re-introduced in 2019. The remaining part of the budget previously allocated to the 13<sup>th</sup> pension will be used to cover the costs of health policies and social welfare, where it could for instance support an increase in the guaranteed minimum income under the Social Solidarity Income scheme or an introduction of a permanent benefit for vulnerable home-owners with a mortgage.

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<sup>(7)</sup> There is currently a system of protection of primary residences under the Household Insolvency (Katseli) law and therefore covering only non-performing mortgages, which however will expire at the end of April 2020.

**The authorities have developed an action plan to remedy the delays in setting up the Single Social Security Fund, a mid-2020 specific commitment.** An ambitious action plan for the digitalisation of the Single Social Security Fund will start to be implemented in the coming months, aiming at unifying the IT systems of all the previous funds and the digitalisation of services with timelines by end-2020 and mid-2021. The authorities have also announced the decision to merge the Supplementary Pension Fund into the Single Social Security Fund in order to improve efficiency.

**Administrative procedures for the clawback collection (a continuous commitment) have resumed, and measures are being prepared to limit the size of the clawback amounts.** The collection of the clawback for pharmaceuticals is in progress (through the 120 instalments scheme introduced in 2019) and for private clinics and other providers will start shortly. The ever-increasing clawback amounts, especially for pharmaceuticals, are a source of concern. The authorities are planning to strengthen the efforts on the implementation of compulsory prescription/treatment protocols, which aim to curb inappropriate prescribing behaviours, and to strengthen their capacity in pharmaceuticals price negotiation especially for high-cost drugs. The European institutions have encouraged the authorities to consider including an element of risk sharing in the clawback system and to ensure the adequacy of the hospital budgets in relation to the healthcare needs of the population.

**Progress in setting up a comprehensive network of primary health care units, a mid-2020 specific commitment, has resumed following the announced redesign of the system.** According to a revised strategy, the remaining 120 Local Health Units (the ‘TOMYS’) will become operational within the premises of existing Health Centres. Nonetheless, the full rollout of the primary care network continues to face important bottlenecks, including in hiring the required number of family doctors, and incomplete compulsory registration and gatekeeping. The completion of the network with full population coverage by mid-2020 will not be possible, but the new strategy addresses some of the key sources of delay thus far and the authorities are confident to be able to finalise the full roll-out including gatekeeping and referral functions by end-2020.

**Reaching the target of a 30% share of centralised procurement, a mid-2020 specific commitment, will be challenging but the planned launch of decentralised procurement at regional level has the potential to speed up the process.** The authorities have submitted a revised strategy for centralised procurement, while in parallel transforming the new central body for health procurement to a private-law legal entity. The new strategy envisages decentralised procurement at regional level, which should make procedures administratively less cumbersome, speed up the tendering process and offer more opportunities to apply. The authorities plan to make better use of the Price Observatory to ensure that all avoidable inefficient spending is rectified as swiftly as possible.

**The reform of the disability benefits framework, a mid-2019 specific commitment, is advancing but with significant delays outside the control of the authorities.** The new methodology should have been developed on the basis of the evaluation of a pilot project, the final version of which is still pending. The authorities have agreed to provide a new revised timeline for its national rollout by April 2020, which will take into account issues identified from the draft evaluation report. The authorities have announced their intention to review the whole set of benefits and services for the disabled, with a view to strengthening the provision of in-kind benefits and services.

**The evaluation of the system of subsidies for local public transport, an end-2019 specific commitment, is expected to be completed by end April 2020.** The delay is due to the many distinct beneficiaries (ten different population groups receive these types of subsidies) and the involvement of a number of different ministries.

## FINANCIAL POLICY

**Following the abolition of capital controls in September 2019, the banking sector continued to strengthen, but legacy risks and challenges remain high.** Domestic deposits continued their upward trend, further reinforcing the liquidity situation of Greek banks. Banks' profitability is showing signs of recovery, but remains low. The banks are compliant with their capital requirements but the capital structure is largely dependent on state-related assets, specifically due to the high amount of deferred tax credits. In 2019, net bank lending to non-financial corporations has further improved, while credit growth to households remained negative, against the background of a further decrease in lending rates.

**The pace of reduction of non-performing loans accelerated in 2019 but non-performing loan ratios remain very high.** The stock of non-performing loans fell to EUR 71.2 billion at end-September 2019, down by EUR 36 billion from its peak in March 2016, representing a ratio of 42.1% of total customer loans. Sales and write-offs have been the main drivers behind the reduction of non-performing loans so far, while the internal capacity of banks to work out non-performing loans continues to be very low.

**The successful and speedy implementation of the Hercules asset protection scheme could accelerate the reduction of non-performing loans of the four systemic banks.** The scheme will run over an 18-month period with a planned envelope of maximum EUR 12 billion of state guarantees. All four systemic banks have expressed interest to participate in the scheme and are in the process of updating their strategies for the reduction of non-performing loans accordingly. The focus now falls on the successful and timely implementation of the scheme.

**The authorities are working on reforming the fragmented insolvency framework currently in place, in a way that contributes to a viable reduction in private and public debt in the near term, while accelerating the pace of implementation of the existing tools for the resolution of non-performing loans and improving their effectiveness.** The actions outlined below are monitored and assessed under enhanced surveillance as part of the **continuous commitment** to *“continue to implement reforms aimed at restoring the health of the banking system, including resolution efforts for the non-performing loans”*:

- **Harmonisation of the insolvency framework:** Preparatory work on the harmonisation and integration of the corporate and personal insolvency regimes is proceeding, and the new framework is expected to be adopted by the end of April 2020. Independently of the implementation of the new framework, the Primary Residence Protection scheme will also expire by end April. The new system is expected, among others, to tackle current statutory obstacles to dealing with excessive indebtedness, procedural complexity of the existing frameworks, and foster cooperation among creditors. The authorities are contemplating the design of a framework, which would initially rely on pre-judicial settlement, supported by electronic means, in an attempt to reach an amicable debt restructuring. The successful implementation of the new framework will crucially hinge on effective acceleration and optimization of judicial insolvency processes. A preliminary outline

of the draft law has been prepared by the authorities. It is currently under assessment and consultation with the institutions, pending further elaboration.

- **Clearing of the household insolvency backlog:** The number of pending household insolvency cases exceeded 86,000 at end-December 2019, which is by about 50% above the end-year target, which will therefore be very likely missed. A comprehensive action plan for accelerating the clearance of the household insolvency backlog was expected by end-December 2019. The authorities have now committed to present it by end-March 2020. It is expected to make use of different techniques in order to realistically cut the period between the filing of a case and its hearing by the court, and facilitate the eligibility control of presented evidence. In this context, it is relevant to note that the authorities also submitted a draft legislative proposal for the provision of training to magistrate court judges, who are the ones dealing with household insolvency cases.
- **Clearing the backlog of called state guarantees:** The authorities have increased their efforts and committed to accelerate the implementation of the action plan for the clearance of the backlog of called guarantees, which remains considerable. The updated plan foresees the processing of all currently called guarantees for corporate loans by end 2022 and loans for natural persons by end-2023. The payment of claims is expected to follow immediately after the examination of each claim has been finalised, except for (i) claims that are subject to litigation and cannot be paid before the court cases are completed and (ii) cases where additional documentation needs to be provided by the creditors. For such cases, the payments are expected to be made within one additional year after the processing of the claim, and to be fully concluded by end-2025. The fiscal cost of the envisaged clearance path is expected to be incorporated in the 2020 update of the Medium-term Fiscal Strategy. Ensuring considerable payments already in 2020, with visible results by mid-year, and further exploring ways to process the guarantees scheduled for 2024 still in 2023, would enhance the effectiveness of the action plan and send the right signal vis-à-vis future payments from the state towards the financial system.
- **Primary residence protection:** The primary residence protection scheme with a state subsidy put in place to help debtors start repaying their mortgages remains little used and the authorities reiterated their commitment that the protection would expire at end-April 2020.
- **E-auctions:** A comprehensive analysis of the reasons, which currently impede a high success ratio of e-auctions, including a proposal with possible legislative remedies, has not been conducted so far. The authorities are aware of the existence of impediments leading to the frequent failures of e-auctions conducted by banks to liquidate their collateral, and commit to implement actions to prevent cases of procedural abuse, notably through designing an effective procedural mechanism for dealing with price adjustment requests.
- **Other initiatives:** The European institutions welcome that the favourable tax treatment of loan write-offs that had expired at the end of 2018 has been reinstated, as it will increase the incentives to undertake debt restructurings. The authorities completed their assessment of the implementation of the reformed Code of Civil Procedure, which aims to increase the effectiveness of court proceedings and

accelerate the processing of cases by civil instances, and are expected to finalise the formulation and eventual proposals for the adoption of legislation for future improvements by mid-July 2020.

**The Hellenic Financial Stability Fund continued exercising its shareholding rights in the four systemic banks.** In the last reporting period, it focused on improving the banks' governance, assessing their business models, and progressing with the implementation of its Exit Strategy. The discussions between the Fund and the Ministry of Finance on the potential involvement of the authorities in the final stage of the divestment and the legal protection for the Fund's governing bodies and staff have not yet been finalised. Preserving the Fund's independence remains a cornerstone in the process toward restoring the health of the banking sector.

## LABOUR AND PRODUCT MARKETS AND COMPETITIVENESS

**The authorities are preparing a new National Growth Strategy.** The new strategy will benefit from the input of a high-level expert group<sup>(8)</sup> and is due to be completed by mid-2020. It is expected to set out comprehensive and actionable medium-term reform priorities, with a view to boosting exports and investment. Following the adoption of the Development Law in October 2019, the authorities are also preparing secondary legislation, which is a pre-condition to making the new framework fully operational.

**The authorities committed to safeguard competitiveness when carrying out an annual update of the minimum wage, mindful of the requirement of the Greek legislation to also safeguard purchasing power.** An ex post assessment of the last minimum wage increase and the abolition of the youth sub-minimum wage, which took place in February 2019, is under preparation with the help of a European Commission technical support project implemented by the World Bank. Following this ex post assessment, consultations with social partners and recommendations by an independent expert committee, the government is expected to determine the new level of the minimum wage in June 2020. In line with the legal framework, this should be based on an analysis of economic fundamentals and a genuine dialogue with social partners.

**The authorities have completed the implementation of the 2017-2019 action plan to fight undeclared work, an end-2019 specific commitment, and are now in the process of preparing a follow up.** The previous action plan promoted an integrated approach to undeclared work, including measures to reinforce the cooperation among different institutions and improve the capacity to detect undeclared work. The authorities are now designing a follow-up to this action plan.

**The authorities have prepared an action plan for the nationwide expansion of a new delivery model for active labour market policies, thus progressing towards completing the rollout of the Social Solidarity Income scheme, which is an end-2019 specific commitment.** The updated action plan aims to give a strategic focus on promoting long-term and sustainable employment growth by pursuing an integrated and targeted approach. Following an initial pilot project, the new delivery model is set to be expanded to three other regions in view of an eventual national rollout.

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<sup>(8)</sup> This is composed of renowned experts and is chaired by Nobel Prize economist Christopher Pissarides.

**The authorities have embarked on an ambitious agenda for a comprehensive education reform.** This goes beyond Eurogroup commitments, and is macro and social policy relevant as it addresses skill mismatches, enhances growth and helps to reduce poverty and improve the social situation. The reforms focus on challenges such as enhancing the quality of public schools, upgrading vocational education and training and improving the quality of higher education institutions to address the skills gap<sup>(9)</sup>. A new law on higher education aims at upgrading the evaluation and accreditation of higher education institutions and linking university funding with performance, while a number of changes to compulsory education are in the pipeline, including the implementation of a mandatory two-year pre-school programme.

**Progress on areas of economic diplomacy and trade facilitation, which are expected to contribute to strengthening Greece's export performance, has been hampered due to incomplete institutional arrangements.** Legislation enlarging the mandate and responsibilities of the Ministry of Foreign Affairs on economic diplomacy has been delayed, and is expected to be completed in March 2020, while the strategy itself is due by April 2020. The establishment of a solid legal footing for the single authority and the adjustment of inter-institutional structures are pre-requisites for the authorities to achieve synergies and policy cohesiveness in this area.

**Despite some delays mostly caused by factors outside the authorities' control, work on investment licensing is largely on track and the authorities remain committed to completing the reform within the agreed deadlines.** The authorities enhanced the administrative capacity of the relevant service coordinating the reform and have secured further technical support through the European Commission on the remaining work. The signature of the contract for the procurement of the IT system, which is the first step towards the full deployment of the IT system (an end-2019 specific commitment), has been delayed given a complication that arose within the tendering procedure outside the control of the authorities. Work on the implementation of the inspections framework law (a mid-2020 specific commitment) is progressing, save for few delays. The authorities also remain committed to meeting the mid-2020 specific commitment deadline for the simplification of licencing procedures in the remaining sectors of the economy, despite some delays.

**The authorities aim at concluding the revision of the nuisance classification by mid-2020, well ahead of the mid-2021 specific commitment, and are also working on further measures to improve the environmental licensing and inspection frameworks.** The authorities signed a contract with a technical advisor to support them in the alignment of nuisance classification with the environmental classification system, with a view to issuing relevant secondary legislation by mid-2020. Additional steps in the pipeline to improve the licensing framework include the simplification of the process for renewing and amending environmental permits, the certification of external environmental assessors, the re-organisation of the administrative framework for inspections, and the certification of external inspectors. The latter would be an important step towards addressing current weaknesses of

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<sup>(9)</sup> Greece ranks as one of the bottom of EU countries on the skills matching dimension of the European Skills Index, with one of the highest over-qualification rates of tertiary graduates (31.6%) and qualification mismatches among the EU countries. This is also corroborated by the latest PISA results, according to which Greece ranks significantly below the OECD average in literacy, mathematics and science. With regards to digital education, only 46% of people aged 16-74 appear to have at least basic digital skills, while 31% have no digital skills at all (EU average: 17%). These challenges are also highlighted in the Commission's 2020 Country Report on Greece, adopted on 26 February 2020 in parallel to this report (COM(2020) 507).

the enforcement framework. The authorities are also reviewing certain provisions legislated by the previous administration to identify any potential deviations with the principles of the investment licensing reform, with a view to legislating any necessary amendments by September 2020. The ongoing engagement and enhanced role of the relevant service coordinating this reform in the scrutiny of future legislation would safeguard the continuity of this reform.

**The cadastre project is progressing well overall, but deadlines had to be adjusted in view of previously accumulated delays.** The problem of delayed property declarations, which had slowed down the cadastral mapping process, has largely been overcome, and in most areas the next phase of the mapping can be launched. That said, in view of previously accumulated delays it has been warranted to revise the road map for the cadastral project in order to update the timelines and intermediate steps in a credible manner. In this respect, the deadline for completion of the cadastral mapping has been moved from mid-2021 to May 2022, with intermediate milestones. There is overall momentum in the project and the authorities are showing strong ownership, providing a sound basis for the eventual completion of the project. On the institutional side, in order to accelerate progress towards the full establishment of the cadastral agency (a mid-2020 specific commitment) the authorities plan to immediately open regional offices across Greece and give them the authority to open the envisaged local sub-offices.

**Progress towards the completion of Greece's energy market commitments continued with the initial submission of revised proposals to attempt to remedy the anti-trust concerns until the full phase out of lignite, along with the formulation of an overall strategy for energy and climate.** This is a step towards addressing the outstanding competition concerns related to the privileged access to lignite-fired generation by the Public Power Company and to finally complying with the Commission's decision and Court's judgements. Addressing the longstanding distortions on the wholesale market (including remedies to the anti-trust commitment, which will now cover the **end-2019 specific commitment** by including additional measures in the energy sector) will increase the degree of competition in the Greek electricity market, setting the basis for further investments and helping Greece reform its energy sector. In this context, it is relevant to note that Greece adopted its National Energy and Climate Plan in December 2019 in accordance with Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action, ahead of some other Member States. The plan outlines Greece's 2030 energy strategy, based on the early decommissioning of lignite plants, and signals ambition with an increase in renewable energy generation, energy efficiency and a decrease in CO<sub>2</sub> emissions. In order to manage the social challenges of the transition, close cooperation with the Commission, including under the Green Deal Investment Plan and Just Transition Mechanism, is encouraged.

**The implementation of the target model for the electricity market, a specific commitment rescheduled for mid-2020, is progressing largely according to the schedule.** Since the last report, Greece has made steps forward, such as the approval of the spot markets clearing rulebook. Almost all of the remaining technical rules have been submitted to the regulatory authority for approval. Further work has taken place to ensure that the local market will be coupled with the Bulgarian and Italian markets without undue delays after the spot market go-live.

## HELLENIC CORPORATION OF ASSETS AND PARTICIPATIONS

**The work of the Hellenic Corporation of Assets and Participations on the key areas covered by the commitments to the Eurogroup is continuing.** Since the publication of the fourth enhanced surveillance report in November 2019, progress has been made in improving corporate governance in state-owned enterprises (including board reviews and remuneration policies). In addition, the Corporation is increasing its focus on operational improvements in state-owned enterprises. A key challenge in this respect will be to effectively address the significant operational and financial issues in the Hellenic Post and co-operate with the authorities for the funding of the restructuring plan, in line with the EU state aid framework. The authorities have exhibited strong engagement and support to the important work of the Corporation. The coordination mechanism between the authorities and the Corporation has meanwhile been launched for all enterprises, the mandates for eight enterprises were finalised and submitted to the Cabinet Committee, and work is underway in updating the ministerial guidance. The Corporation is continuing with the implementation of its strategic plan (**a continuous commitment**), and is monitoring the key performance indicators it has set for its subsidiaries. Achieving the full potential of the real estate portfolio under the Public Properties Company remains a key challenge, while the screening for the transfer of additional real estate assets should be completed soon. The transfer of the Olympic Athletic Centre (OAKA), which was an end-2018 specific commitment, will be delayed due to practical complexities, which are unavoidable due to the status of the asset.

**The authorities maintained momentum in the privatisation process as reflected in the good progress on several transactions.** It will be key to keep up the efforts to bring the projects to fruition. As mentioned in previous reports, the timeline of the flagship projects below has been affected by delays or factors largely outside the control of the authorities. Overall, the authorities are making continued progress in the implementation of the Asset Development Plan (**a continuous commitment**). In particular:

- **Hellinikon (an end-2018 specific commitment):** While the tender process for the award of the casino licence may be delayed due to factors outside the control of the government, the authorities are working to finalise the other conditions precedent for the transaction. They have adopted secondary legislation on the metropolitan park and on development and urbanization zoning areas, and an agreement has been reached between all involved parties on the partition of the Hellinikon site, whereas the authorities are in the process of taking steps to complete the few pending issues regarding the relocation of remaining public and private users and the legalisation and demolition process of buildings.
- **Marina of Alimos (a mid-2019 specific commitment):** the Court of Audit approved the tender procedure on 26 June 2019. The delay in the financial closing of the transaction is primarily due to the time taken for the due diligence process by banks required in financing the transaction.
- **Hellenic Petroleum (a mid-2019 specific commitment):** Following the failure of the planned sale of a majority stake, the financial closure is inevitably subject to significant delays. The revised structure and timing should be determined on the basis of what provides the best commercial and strategic value for Greece. The authorities are yet to decide on the approach and a tentative timetable is now expected by March 2020.

- **Sale of 30% of Athens International Airport (an end-2019 specific commitment):** The tendering process is proceeding well. On 31 January 2020, the Board of Directors of the Hellenic Republic Asset Development Fund (TAIPED) decided that nine investment parties are qualified to proceed to the Binding Offers Phase, thus effectively launching this phase. The financial closing of the transaction is expected before the end of the year.
- **Public Gas Corporation (an end-2019 specific commitment):** The necessary legislation for the partial demerger of the company and the sale of the full stake of the Asset Development Fund in the company (i.e. 65%) was adopted in November 2019. The international tender process for DEPA Infrastructure was launched on 9 December 2019, whereby the Fund and Hellenic Petroleum are acting as co-sellers (offering 100% of the share capital of DEPA Infrastructure). The international tender process for the sale of 65% of the share capital of DEPA Commercial was launched on 23 January 2020.
- **Egnatia (an end-2019 specific commitment):** The long-term concession for the Egnatia motorway has been characterised by systematic delays and problems, showing a lack of ownership. The authorities have stressed their strong commitment to proceed with the transaction. Since the last enhanced surveillance report, three frontal toll stations were put into operation, while a detailed roadmap was provided to the institutions, with a specific timetable for the implementation of all required pending actions by May 2020. The implementation of the roadmap has started, and it will be key to build on the progress and take all necessary steps well in time before the revised deadline for the submission of binding offers on 26 June 2020.
- **Regional Ports (an end-2019 specific commitment):** The authorities are positive with respect to providing flexibility of choice on the privatisation transaction structure (i.e. sub-concession, sale of equity) so as to allow the best privatisation transaction structure to be chosen for each port. The relevant legal amendment was adopted by Parliament on 12 February, whereas the Asset Development Fund has started the process for recruiting external consultants for the sale of equity for four ports.

## **PUBLIC ADMINISTRATION**

**The authorities are taking steps to advance on digital governance, which is one of the least advanced in the EU.** Despite some delays, a new ‘Digital Bible’ is expected to be completed by March 2020, setting out projects for the public administration as well as measures to enhance overall digital performance. Clarity on the roles and responsibilities within the administration will be key for its effective implementation. Progress is being made on important projects, such as the creation of a unified platform (gov.gr) for electronic services, increasing the interoperability of public systems, and the simplification and digitalisation of processes affecting citizens. Further simplifying processes that pose a burden to businesses would also be a priority for Greece.

**The appointment of Permanent Secretaries in the public administration is progressing and the selection process for Directors has resumed.** According to the authorities, the appointments for the Permanent Secretaries posts should be completed by March 2020, while director posts are expected to be completed by August 2020. It will be key to ensure that planned legal amendments for future appointments of directors and heads of division

safeguard the role of the Supreme Council for Civil Personnel Selection (ASEP) in the process.

**The authorities have made some progress in setting up an open selection process for senior management posts at public sector entities<sup>(10)</sup>, expected to be in place by May 2020.** Implementing an open selection process as a standard framework for these legal entities will be instrumental in strengthening their professional management and sending a clear message for further depoliticisation of the public administration. In case some entities are not made subject to the standard framework, in view of specific public policy roles, it would be warranted to keep exceptions to a minimum, based on clear criteria, and to ensure that the framework provides for effective management of these entities.

**The authorities have made continued progress in developing a Human Resources Management Strategy, whereas a majority of the digital organigrams and job descriptions, an end-2019 specific commitment, have been completed.** That said, some large entities (incl. the Social Security Fund (EFKA) and the Employment Fund (OAED)) still need to be fully included in the exercise, which constitutes a priority for the authorities with a view to completing the rollout by end-April 2020. The mobility system and performance assessment have been firmly established across the public administration and adjustments to further improve their efficiency are planned. In October 2019, the authorities put in place a framework enabling public sector entities to link each job holder with a specific job description, thus creating the link with the Single Payment Authority. The authorities are expected to verify full compliance with this framework by April 2020.

**The authorities are planning to proceed to improve the personnel selection system and establish a coherent approach to streamline the job classification system.** A committee has been established to review the enabling law of the Supreme Council for Civil Personnel Selection (ASEP) with the aim to simplify and accelerate the recruitment processes. In this context, it would be important that the planned reorganisation of the Supreme Council would also enhance its capacity to efficiently undertake the new responsibilities it has been allocated, such as overseeing the selection of managers in the public administration.

**The authorities have confirmed their intention to adopt a new codification law for the Labour Law Code and Code of Labour Regulatory Provisions by mid-2020, in line with the specific commitment.** The authorities are highly committed to the initiative as they see the codification process as an opportunity to carry out a thorough review of the current legal framework. A number of legal provisions of the Executive State Law will help in this respect, including the reestablishment of the Central Codification Committee, while it will be important to devote sufficient resources to the task given its complexity.

**The new provisions of the Executive State Law on good law-making came into effect in January 2020 and are expected to improve the quality of laws and to significantly reduce unrelated and last-minute amendments.** The new framework involves comprehensive impact assessments, standard public consultations and enhanced quality control, while relevant training to selected staff will be provided. The initiative has the potential to greatly enhance the clarity and coherence of law-making, with positive effects on the investment climate, and thorough implementation will be critical. The Law also includes

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<sup>(10)</sup> In the Greek context, these public sector bodies are referred to as legal entities of public law and legal entities of private law.

provisions for the delegation of signature powers to the non-political level that came into effect in February 2020. Once enforced, it is estimated that approximately 80% of all decisions taken in each ministry will now be signed off at Director-General level.

**Hiring of permanent staff is proceeding in compliance with the staffing plan, while the increasing trend of temporary staff has slowed down and the level is expected to be reduced further during 2020.** According to preliminary data, the number of permanent officials hired during 2019 was significantly below exits, mainly due to retirement. The number of temporary staff is expected to be reduced in 2020, following the planned conversion of temporary teachers and home assistance posts into permanent posts in line with the hiring plan. At operational level, the authorities are planning steps to enhance monitoring and steering capabilities related to temporary staff.

**While new salary provisions raise concerns about the integrity of the unified wage grid, progress has been made to strengthen central control over the wage grid and hiring procedures.** A number of legal amendments have introduced further exceptions to the unified wage grid, notably with regard to allowances. In order to manage risks to the integrity of the wage grid, the authorities decided as a first step to establish an inter-ministerial committee with a mandate to ensure overall coherence and reinforce control, while additional measures are being contemplated and would further help to contain risks. On the upside, recent primary legislation to allow for the reorganisation of the Single Payment Authority has enabled the implementation of a long-delayed IT project, aiming to establish an integrated and fully digitized payroll system for all general government employees. The authorities are considering how to proceed with implementing the final phase of this reform, which would entail mandating the Single Payment Authority to also carry out the clearing of all salaries.

## JUSTICE

**The gradual switching to the mandatory electronic filing and processing of legal documents is progressing, starting from the administrative jurisdictions, an end-2019 specific commitment.** Given the complexity of the project, it was previously agreed that full rollout throughout all courts by end-2019 is not technically achievable and that the commitment would be assessed on the basis of progress in the second phase of the Integrated Judicial Case Management System for the full rollout to be implemented over a 36-month period from the activation of the relevant contract.

**The authorities are moving forward, with some delay, with the call for bids for the second phase of the Integrated Judicial Case Management System, a mid-2020 specific commitment.** Following some delays due to internal governance changes, the authorities committed to publish it shortly. Given accumulated past delays, full implementation of the second phase of the Integrated Judicial Case Management System is not technically achievable within the original mid-2020 deadline. It is therefore warranted to assess the commitment on the basis of the conclusion of the relevant tendering procedure, by end-2020, and of a 36-month implementation plan for the completion of the project, which is also stipulated in the draft tender documentation.

**Following the adoption of a number of legal amendments, the mandatory mediation framework, whose entry into force had been twice postponed, is being phased in.** Legislation adopted in November 2019 introduced a reformed mediation framework that redefined the categories of disputes subjected to mandatory mediation, the minimum cost of mediation, and a number of procedural and technical aspects. The implementation of the first

stage of compulsory mediation started on 15 January 2020 covering certain categories of family law disputes, and the second phase will follow in March 2020, extending it on ordinary proceedings in first instance.

**The newly created National Authority for Transparency is being built up gradually, while implementation of the National Anti-corruption Action Plan is proceeding.** The Authority is planned to be fully operational in November 2020. Implementation of the Action Plan is broadly on track, though some crucial decisions remain to be adopted. For instance, the legislative frameworks for the asset recovery office and asset management offices are still in the drafting stage, implying further delays before this crucial instrument in the fight against corruption is put in place. Close monitoring on the implementation of the framework, including on political party financing, combating of financial crimes and internal audit, will be critical.

**The amendment of the law modifying the Criminal Code and the Criminal Procedure Code is welcome, though some concerns remain.** An amendment in June 2019 had downgraded the main active bribery offence from a felony into a misdemeanour. While this downgrading was phased out in November 2019, it will affect a number of ongoing cases (see the 2020 Country Report for additional details). The authorities have established a committee with a view to implementing the remaining recommendations of the Group of States against Corruption in the area of the criminal codes by end-2020. The National Transparency Authority will be given an observer status in the committee.