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Enhanced Surveillance Report - Greece, May 2020

Accompanying the document

Communication from the Commission

Enhanced Surveillance update- Greece, May 2020

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ABBREVIATIONS

AIA: Athens International Airport
ANFA: Agreement on Net Financial Assets
ASEP: Supreme Council for Civil Personnel Selection
DEPA: Δημόσια επιχείρηση αερίου (Public Gas Corporation)
ECB: European Central Bank
EFKA: Ενιαίος φορέας κοινωνικής ασφάλισης (Single Social Security Fund)
EFSF: European Financial Stability Facility
ENFIA: Ενιαίος φόρος ιδιοκτησίας ακινήτων (unified property tax)
ESI: Economic Sentiment Indicator
ESM: European Stability Mechanism
ETAD: Εταιρεία ακινήτων δημοσίου ΑΕ (Public Properties Company)
ETEAEP: Supplementary Pension Fund
EYATH A.E.: Εταιρεία ύδρευσης και αποχέτευσης Θεσσαλονίκης Α.Ε.(Thessaloniki Water Supply and Sewerage Company)
EYDAP A.E.: Εταιρεία ύδρευσης και αποχέτευσης Πρωτευούσης Α.Ε. (Athens Water Supply and Sewerage Company)
GDP: Gross Domestic Product
GRECO: Group of States against Corruption
HCAP: Hellenic Corporation of Assets and Participations
IAPR: Independent Authority for Public Revenue
ICT: Information and communication technologies
IMF: International Monetary Fund
KTEL: Joint-venture of regional transport
LEPETE: Λογαριασμος επικουρισης προσωπικού εθνικής τράπεζας της Ελλάδος (supplementary pension fund of the National Bank of Greece)
NOME: Nouvelle organisation du marché de l'electricité (new organization of the electricity market)
OASTH: Urban Transport of Thessaloniki
OSDDY: Ολοκληρωμένο σύστημα διαχείρισης δικαστικών υποθέσεων (integrated management system for judicial cases)
PMI: Purchasing Managers Index
SMP: Securities Markets Programme
SURE: Support to Mitigate Unemployment Risks in an Emergency

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The European Central Bank (ECB) staff participated in the drafting of this report 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. Staff of the European Stability Mechanism (ESM) contributed to the preparation of this report in the context of the ESM's Early Warning System and in accordance with the Memorandum of Understanding of 27 April 2018 on working relations between the European Commission and ESM. International Monetary Fund (IMF) staff participated in the context of its Post Program Monitoring framework.

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1. INTRODUCTION

Economic developments and policies in Greece are monitored under the regular economic surveillance framework for euro-area Member States under the European Semester for economic policy co-ordination and under the enhanced surveillance framework according to Regulation (EU) No 472/2013 ([1]). Following its third prolongation, enhanced surveillance for Greece is currently in place for six months as from 21 February 2020 ([2]). The implementation of enhanced surveillance for Greece acknowledges the fact that Greece needs to continue implementing measures to address the sources or potential sources of economic and financial difficulties, while implementing structural reforms to support a robust and sustainable economic growth.

Greece made a general commitment at the Eurogroup of 22 June 2018 to continue and complete reforms adopted under the European Stability Mechanism programme and to ensure that the objectives of the important reforms adopted under the financial assistance programmes are safeguarded. In addition, Greece made 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 ([3]). In this context, ten specific commitments are assessed in this report alongside follow-up actions to previous commitments.

This report is based on the findings of a mission held remotely on 8 and 23 April 2020 and regular dialogue with the authorities. The mission was conducted by the European Commission in liaison with the European Central Bank ([4]); the International Monetary Fund participated in the context of its Post Program Monitoring framework, while the European Stability Mechanism participated in the context of its Early Warning System and in line with the Memorandum of Understanding of 27 April 2018 on working relations between the European Commission and European Stability Mechanism.

Enhanced surveillance provides a comprehensive framework for monitoring economic developments and the pursuit of policies needed to ensure a sustainable

([1]) 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.

([2]) Commission Implementing Decision (EU) 2020, C(2020)901, of 19 February 2020 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]) European Central Bank staff participated in the review mission in accordance with the European Central Bank's competences and thus provided expertise on financial sector policies and macro-critical issues, such as headline fiscal targets and sustainability and financing needs. The review mission was preceded by a technical mission, also held remotely, from 26 March to 7 April 2020.

economic recovery. To this end, this report includes an assessment of economic conditions in Greece (chapter 2); an assessment of implementation of reform commitments given by Greece to the European partners (chapters 3 and 5-9); and an update on sovereign financing conditions (chapter 4). This report is issued alongside the Commission assessment of the Stability Programme for Greece, prepared in the context of the European Semester of economic and social policy coordination.

The Eurogroup on 22 June 2018 agreed that the package of debt relief measures for Greece should include incentives to ensure a strong and continuous implementation of the reform measures agreed in the programme. To this end, the implementation of some of the agreed debt measures – the abolition of the step-up interest rate margin related to the debt buy-back instalment of the European Financial Stability Facility (EFSF) programme as of 2018 and the restoration of the transfer of equivalent amounts to the income earned by euro-area national central banks on Greek government bonds held under the Agreement on Net Financial Assets (ANFA) and the Securities Market Programme (SMP) – will be made available to Greece subject to compliance with its commitments on reform continuity and completion, based on positive reports under enhanced surveillance. The transfer of these income equivalent amounts would be made available to Greece in semi-annual tranches of €644 million up to mid-2022. The waiver of the step-up interest rate margin, for part of the loans extended by the European Financial Stability Facility, would reduce interest payments by about €104 million every half year. It would be waived on a semi-annual basis until 2022 and permanently after 2022. The second tranche of policy-contingent debt measures was released following the Eurogroup on 4 December 2019, inter alia based on the assessment of the implementation of Greece's commitments for mid-2019 included in the enhanced surveillance report adopted by the Commission on 20 November 2019 ([5]). The current report assesses the implementation of Greece's specific reform completion commitments for end-2019, the continuous commitments and its general reform continuity commitment. It thereby provides a basis for the Eurogroup to discuss the release of the next tranche of policy-contingent debt measures, amounting to €748 million.

([5]) https://ec.europa.eu/info/sites/info/files/economy-finance/ip116_en.pdf.

2. ASSESSMENT OF IMPACTS OF THE CORONAVIRUS OUTBREAK AND MACROECONOMIC DEVELOPMENTS

2.1. OUTBREAK OF THE CORONAVIRUS AND POLICY RESPONSE

The outbreak of the Coronavirus has fundamentally altered the social and economic reality in Greece, as in most other Member States. The Greek government started implementing measures aimed at containing the spread of the Coronavirus already at the end of February by increasing the intensity of the containment measures:

Following the initial localised measures, all education institutions were closed on 11 March.

On 13 March, the operation of cafes, bars, museums, shopping malls, sports facilities and restaurants was suspended and as of March 18, all retail businesses as well as church services have been closed, followed by the closure of hotels on 19 March.

On 23 March, Greece went into the strictest phase of containment measures, banning all non-essential movement, with only business deemed essential remaining open such as supermarkets, bakeries pharmacies and private health services.

These relatively swift and compared to other euro area countries strict measures seem to have slowed down the spread of the Coronavirus pandemic in Greece. Greece registered 2,744 cases and 152 deaths until 12 May 2020. This has also limited the strain on the Greek healthcare system so far, where Intensive Care Unit capacities and ventilators have been increased where possible. The containment measures are being slowly lifted since early May according to a stepwise plan, with gatherings of people and the operation of restaurants, cafes and bars remaining restricted for longer. Travel restrictions are expected to remain in place until the end of June or early July.

The containment measures have severely affected economic activity with a third of private sector employment directly affected in March and April. The latest Economic Sentiment Indicator (ESI), registered a drop from 113.2 index points in February before the start of the containment measures to 99.3 in April and the Purchasing Managers Index (PMI) declined from 56.4 in February to 29.5 in April. New hiring dropped by 53% in March compared to February 2020 and 83% compared to April 2019, but at the same time redundancies also decreased by 71% compared to March and by 81% compared to April 2019 indicating a freeze in the labour market.

The authorities promptly adopted a set of income support and liquidity measures of a large scale. To mitigate the economic and social impact, a broad range of budgetary measures were undertaken aiming to support households and businesses while additional measures were adopted to provide liquidity to companies affected by the Coronavirus outbreak. According to the estimates of the European institutions, the overall size of the measures is 10.5% of GDP. These measures consist of 5% of GDP of budgetary measures and 1.9% of GDP of liquidity measures of which 0.6% of GDP are tax deferrals and 1.3% of GDP are other measures aiming to provide households and businesses with temporary liquidity support. The latter set of measures is expected to provide up to 3.6% of GDP of additional loans. These amounts correspond to the measures announced by the authorities until end of April and cover the period until end-May. A detailed presentation of the measures follows in section 2.2 and section 3.

Greece will also benefit from the recent policy measures announced by the European Central Bank. On 18 March, the European Central Bank announced the Pandemic Emergency Purchase Programme, with an overall envelope of €750 billion. Purchases will be conducted until the end of 2020 and will include all the asset categories eligible under the existing asset purchase program as well as Greek sovereign bonds. On 7 April, the European Central Bank announced a temporary easing of the collateral requirements for the Eurosystem credit operations, with the aim of facilitating participation in liquidity providing operations and supporting credit to the economy. It also introduced a waiver of the minimum credit quality requirement for collateral consisting of Greek sovereign bonds. The European Central Bank banking supervision has further temporarily lowered capital requirements for banks to ensure the continuing financing of the real economy.

Greece is benefitting from a number of Commission initiatives to counteract the economic impact of the pandemic and the guarantee fund set up by the European Investment Bank. The Commission has started an initiative to frontload and make the best use of the European Structural and Investment Funds for addressing the pandemic. This initiative gives a maximum of flexibility in transferring funds between regions and funds, while lifting limits on spending per policy objectives and co-financing requirements. The Greek authorities have introduced a number of requests for funding through the Coronavirus Response Investment Initiative, with an indicative total cost of the nominated projects of €5.8 billion, part of which will be covered by European Structural and Investment Funds, part from the national Public Investment Budget and part from the regular budget. The exact distribution of these sources cannot be defined at this stage, but a first calculation of the available EU funds suggests that within the 2014-2020 European Structural and Investment Fund programmes an amount up to €2 billion could be made available through reallocations. Support to mitigate the effect on employment in Greece could be available through the Commission proposal for a temporary Support to mitigate Unemployment Risks in an Emergency (SURE), which once adopted by the Council, will make up to €100 billion in loans available across EU member states to finance unemployment support and short-term work schemes. Greece could qualify for support under the SURE scheme for both the special lump sum allowance of €800 (already introduced and covering a period of 45 days) and the new, broader short-time work scheme to be introduced (please see section 7). Financial support to Greek companies will also be available via a pan-European guarantee fund set up by the European Investment Bank that is a aiming at mobilising €200 billion in loans to small and medium sized enterprises in the EU. In addition to that, the European Investment Bank group is also increasing funding under the already existing support schemes, aiming at supporting small and medium sized enterprises.

2.2. MACROECONOMIC OUTLOOK

The economic impact of the social distancing and containment measures affects Greece through multiple channels. With the closure of all non-essential businesses, domestic demand is strongly affected as well as supply of goods and services. Due to the strong restrictions regarding travel and the severe disruption of global supply chains as well as the drop in demand due to social distancing measures in other countries affected by the Coronavirus outbreak, the external sector is also affected trough a strong decline in external demand. Increased uncertainty as well as lower liquidity and provision of credit has a negative effect on investments. The projections presented in this report are based on the assumption that the containment measures are gradually lifted in May and phased out until end of June. The general economic shock is assumed to be of a relatively short transitory nature with a recovery starting towards the end of 2020 and gaining momentum in 2021.

Containment measures and reduced incomes are expected to compress domestic consumption. Rising unemployment, reduced need for hiring seasonal workers and lower wages due to involuntary part-time work and unpaid leave, will lead to a decline in disposable incomes. This, together with drastically reduced consumption opportunities during the closure period of non-essential businesses will lead to a strong decline in domestic consumption. While some consumption can be postponed to after the end of the containment measures, most consumption of services such as restaurants, hotels, bars etc. will not profit from a significant increase in demand compared to the pre-pandemic levels, due to the nature of their services. This means that over the year, losses in consumption can only partially be recovered. Combined with the lower disposable incomes, a significant drop in consumption is to be expected. The Greek government has implemented a support scheme targeted at workers on unpaid leave, which supports incomes with a lump sum of €800 per month from mid-March to mid-June. This income support is expected to cushion the negative impact on incomes to some extent, but given that the average net monthly wage is around €1,300, the negative impact on incomes will still be sizeable.

Tourism and shipping services – two very important sectors for Greece's economy – are expected to be hit particularly hard. Tourism will inevitably suffer from the travel restrictions and social distancing measures and with the main tourism season concentrated in the months June to September (73% of tourism receipts are made in these months) the effect of the pandemic is expected to be more persistent than in other sectors. Depending on the length of the social distancing measures and travel restrictions in Greece and other EU countries as well as the United Kingdom, Greece could lose most of its tourism receipts for 2020. Even in a very positive scenario, where normal tourism activity would be possible again starting from July, the impact could be large, due to income effects in the partner countries, disruptions in air traffic and lower booking numbers due to higher uncertainty, making losses of well above 50% in tourism receipts likely. In recent years, Greece has also established a sizable professional tourism sector mainly concentrated in Athens and Thessaloniki, which may suffer from longer lasting restrictions compared to the individual tourism and aggravate losses. The other important export industry is shipping, which will be strongly affected by containment measures and closure of ports globally as well as the decline in global trade that is expected in 2020 as a result of the pandemic.

Heightened uncertainty, triggered by the sudden drop in demand and tightened financing constraints, is expected to weigh on investment. Due to the lower revenues and earnings during the containment measures as well as the high uncertainty regarding the length and severity of the pandemic, the counter measures and their economic impact, investment projects will likely be postponed or reconsidered; apart for a small subset of investment in IT infrastructure that enables companies to remain active during the phase of containment measures (web shops and remote working IT environments). Other determining factors will be the availability of financing and liquidity as well as uncertainty, in particular about a recurrence of the pandemic and the economic recovery in general. Government guarantees and the support from the European Investment Bank target the availability of financing and liquidity in order to soften the impact on investment. These measures will be of particular importance once the containment measures have been relaxed and can significantly speed up the recovery of investment activity and enhance the recovery. Other measures such as the possibility to put employees on unpaid leave and tax deferrals are important to help businesses to bridge the gap created by the sudden drop in demand and revenues due to the containment measures.

The drop in external demand and the effects of the travel restrictions is expected to lead to a strong decline in goods and service exports, while lower domestic demand and the disruption of global supply chains puts downward pressure on imports. The pandemic is spread across the world and is strongly affecting global supply chains. With the main export markets for Greek goods and services exports among the strongly affected countries, exports are expected to contract sharply. While the lower elasticity of Greek goods exports might cushion the effect somewhat, the size of the impact is still forecast to be substantial. In particular, the large share of service exports (55% of total exports in 2019) and the importance of tourism and transport for Greek service exports is leading to a strong negative impulse from service exports in 2020.

Unemployment is expected to increase in 2020. Due to the complete lock down of entire industries during the containment measures against the Coronavirus outbreak, the unemployment rate is expected to increase to around 20% compared to 17.3% in 2019. Measures incentivising labour hoarding and the relaxation of employment regulation allowing companies to place employees on unpaid leave for the duration of the containment measures, will help to limit the employment impact. Nevertheless, the impact in particular in the hospitality sector and in the tourism industry is expected to be significant, as a large share of the seasonal workers employed in tourism-related industries may ultimately remain out of work. The effect on non-seasonal employment is expected to be moderate, as labour hoarding can be successful to bridge a relatively short-lived gap in business activity. However, longer drops in economic activity may lead to a permanent destruction of economic fabric, leading to the bankruptcy of less resilient firms and therefore leading to an increase in unemployment. With the gradual lifting of containment measures in May and a relatively short fading out of social distancing measures until mid-June, the impact on employment is estimated to be contained around 20% in 2020 compared to 17.3% in 2019.

The economic downturn may reverse the recent improvements in poverty rates. At 31%, the share of people at risk of poverty and social exclusion was already high before the start of the pandemic compared to the euro area average of 21% in 2019, but had been on a declining trend. While households can withstand a relatively short period of containment measures, especially when most employees are receiving income support, the effect of a prolonged phase of containment measures can potentially be devastating. The particularly large share of small and micro enterprises that have just recovered from the impact of the global financial crisis, and the share of seasonal workers in tourism related fields means that many households do not have significant savings to bridge a longer impact. The high share of non-performing loans and the still ongoing deleveraging means that households in general have only limited funds to sustain themselves during a longer period of no or reduced incomes. Large job losses and declines in disposable incomes could significant increase the share of people at risk of poverty or social exclusion in 2020 and beyond.

The authorities bolstered of liquidity measures in the private sector by 1.9% of GDP which are expected to mobilize 3.6% of GDP additional loans. These measures include tax deferrals and other liquidity measures which are expected to have a sizable positive impact as well due to the mitigating effects regarding liquidity constraints for the corporate sector and the support for investment after the relaxation of containment measures. The announced liquidity measures are:

A provision of €2 billion in cash collaterals from the Hellenic Development Bank (total expected leverage of up to €8 billion).

A reallocation of additional €250 million towards the disbursement of new corporate loans, with full-interest subsidy coverage for 2 years under the existing TEPIX II scheme from the Hellenic Development Bank.

A number of deferrals for tax and value added tax obligations and social security contributions (including tax settlement schemes). These measures offer at least 3 months extension of the respective obligations.

The measures taken by the authorities will be instrumental in safeguarding businesses and allowing a swift 'restart' of the economy after the phase of containment measures. While the containment measures are necessary to mitigate and manage the spread of the Coronavirus, they will have a negative effect on the economy. While the speed of the medical recovery from the pandemic will determine how long the containment measures need to stay in place, expansionary fiscal measures can cushion the immediate effects of losses in income and revenues. However, these measures will also be a key factor in determining the speed and shape of the economic recovery afterwards. By allowing and incentivising firms to keep their employees while suspending their pay for the duration of the containment measures, the fiscal package aims at preventing a large increase in unemployment and at enabling firms to start production at full capacity swiftly afterwards. Measures supporting incomes of employees who are on unpaid leave ensure that they are able to stay available for the companies and support their consumption expenditure. This will also support domestic demand once non-essential business will be opened again. Measures providing liquidity to firms help to bridge paying fixed costs such as rent while revenues are very limited. They also aim to help firms to restart investment activity shortly after the containment measures have been lifted, adding further to domestic demand and supporting growth.

Extremely low oil prices and the downward pressure on wages will weigh on inflation. The recent drop in oil prices and the low oil price developments expected for 2020 and 2021 will negatively affect producer prices. Further downward pressure is expected from wages as the Coronavirus outbreak particularly affects the service sector.

Lower demand, domestic and external is expected to put downward pressure on the industrial component of the inflation index. Only processed and unprocessed food are expected to put a limited upward pressure on prices due to the disruption international trade and food production. Depending on the length and gravity of the economic impact of the Coronavirus pandemic, consumer price growth is expected to reach negative territory in 2020. With the economic recovery expected for 2021, inflation is expected to turn positive again. The decrease in price growth is expected to be lower than what could be expected from the contraction of economic activity and from the large output gap on the back of price rigidities in the Greek economy.

The uncertainty regarding the economic impact as well as the development of the pandemic itself is large and downside risks prevail. Due to the containment measures necessary to fight the pandemic, the economy is currently at a minimum activity and almost at a standstill in a large number of sectors. Since the length and severity of the pandemic determines to a large extent for how long the containment measures are necessary, it also determines to a large extent the impact on the economy. Regarding the economic impact, a few weeks of extended containment measures, even if only in the main trading partner countries can potentially mean a loss of several percentage points in GDP growth. Due to the scientific and epidemiological uncertainty surrounding the completely new pandemic, any economic forecast is necessarily based on a large number of assumptions. With the containment measures being gradually lifted in May, as assumed in the current projection, the decline in GDP could likely be contained in the high negative single digits. Should travel restrictions remain in place well into the second half of the year the strong impact on the tourism is considered a strong downside risk. Any medical solution to the pandemic (treatment or cure) could be considered an upside risk if it can significantly shorten the containment measures, in particular travel restrictions. The speed of the recovery is also surrounded by large uncertainties and downside risks, as it is a function of the length and severity of the negative economic shock, of the effect of the shock on potential output, household savings and banks' asset quality, and the effectiveness of the containment measures in Greece but also in its main trading partners.

Table 2.1: **Summary of the main economic variables (%)**

	2018	2019	2020	2021
Real GDP	1.9	1.9	-9.7	7.9
Employment growth	1.7	2.0	-3.7	3.8
Unemployment rate	19.3	17.3	19.9	16.8
GDP deflator	0.5	-0.4	-0.1	0.6
Harmonised index of consumer prices	0.8	0.5	-0.6	0.5

Source: European Commission

3. FISCAL AND FISCAL-STRUCTURAL POLICIES

3.1. FISCAL DEVELOPMENTS AND OUTLOOK

Greece has entered this crisis in a relatively favourable fiscal position, with substantial cash reserves, a strong primary surplus, and low medium-term re-financing needs on its high public debt. The extraordinary fiscal adjustment implemented during and following the programmes has made Greece better equipped to weather the Coronavirus outbreak compared to the situation a decade ago, ahead of the global financial crisis. The budget has been delivering high structural surpluses for several years while meeting or outperforming the fiscal targets. Greece also enjoys cash reserves close to €34 billion, which is an important asset in view of the fallout of revenues and extraordinary spending to tackle the pandemic. These efforts were reflected in 2019 and early-2020 in the financial markets and Greece's credit ratings, which had been improving steadily. The yield spreads on Greece's long term bonds had declined to historical lows earlier this year.

Greece reached its primary surplus target of 3.5% in 2019. This is somewhat lower compared with the projections in previous reports, given that a large share of the expected over-achievement covered the cost of a merger of the private supplementary pension fund LEPETE with the public supplementary pension fund worth 0.3% of GDP in accrual terms. The headline balance reached 1.5% of GDP, significantly higher compared to the euro area average of -0.8% GDP. The outcome of 2019 was supported by solid economic growth and contained expenditure growth but remained below the 4.2% of GDP programme primary surplus reached in 2018 on account of a large amount of expansionary fiscal measures adopted in May 2019 by the previous government. The fiscal impact of that package reached around 0.8% GDP for 2019.

The authorities have reacted swiftly to the deteriorating macroeconomic outlook and, in line with the co-ordinated response agreed by the Eurogroup on 16 March to protect the euro area economy, allowed automatic stabilisers to function fully so as to avoid a pro-cyclical tightening. The suspension of economic activity and the subsequent decline in aggregate demand will take its toll on the government's fiscal revenues. Besides the deferred tax obligations, the fall-out in turnover and income is expected lead to a fiscal revenue loss of about 3.3% of GDP. The expected rise in unemployment will also put more pressure on the expenditure side as spending on social benefits will automatically increase.

In addition, the authorities have adopted an unprecedented amount of measures to support the economy. According to the estimates of the European institutions, the overall size of the measures is 10.5% of GDP, of which 5.0% of GDP are budgetary measures. The majority of the measures aim to support companies and their employees who are affected by the Coronavirus outbreak either through a direct suspension of the companies' operation or the general deterioration of economic activity. The adopted measures will provide benefits to broadly 2 million persons and 800,000 companies until the end of May. According to the estimates of the European institutions, the net impact on the budget balance of these measures is estimated at 3.7% of GDP in 2020, as part of the measures are fiscally neutral. The fiscally neutral measures will be financed by the Coronavirus Response Investment Initiative or through a re-allocation of expenditure of the public investment budget. The most important measures are:

Temporary economic support of €800 to wage earners whose labour contracts have been suspended and to self-employed, freelancers and individual businesses (with up to 20 employees) who are affected by the Coronavirus outbreak. The benefit of €800 is expected to be granted to broadly 1.8 million persons for the period of mid-March until April and the monthly equivalent for May. The total cost is estimated at 1.5% of GDP and part of it (0.3% of GDP) will be covered through the re-allocation of the public investment funds. This scheme would qualify for support under the EU temporary Support to mitigate Unemployment Risks in an Emergency (SURE) scheme.

Repayable advance payment of €2.0 billion to companies which is planned to be financed both by the ordinary budget (€1.3 billion) and the Corona Response Investment Initiative (€0.7 billion). The affected businesses can request financial assistance with a low interest rate to be paid back within a five years period and a grace period of eighteen months. However, in case the turnover does not recover to the pre-crisis levels, the companies are not obliged to repay this advance. The eligibility criteria will take into account among other things the deterioration of turnover, the decrease in profits and the impact of net employment cost.

Payment by the state of social security contributions of employees whose labour contracts have been suspended. The coverage includes both employee's and employer's contribution until May and it is calculated based on the nominal salary. This measure is estimated to benefit 1.2 million persons with a fiscal cost of 0.8% of GDP.

Interest subsidy on loans to small and medium-sized enterprises with an estimated cost of 0.5% of GDP. The state will cover the interest payments for performing loans for the months April until June.

Suspension of social security contributions instalment schemes by three months with a fiscal impact of 0.2% of GDP in 2020.

Additional support to the public health care system of 0.2% of GDP to account for extraordinary expenditures with respect to payroll costs both of existing personnel and 2,000 new recruitments, equipment of Intensive Care Units, pharmaceuticals, medical equipment, cleaning, storage, transport and analysis of samples and to all other areas where extraordinary expenditures are required.

Temporary economic support to certain liberal professions (i.e. economists/accountants, engineers, lawyers, doctors, teachers and researchers) of €600 until end-April and the monthly equivalent of the €800 benefit in May. The total number of beneficiaries is around 180,000 and the fiscal cost is estimated to reach 0.1% of GDP and will be covered by the public investment budget.

A partial payment by the government to the Easter bonus for private sector employees whose labour contract has been suspended. The Easter bonus constitutes a standard part of the salary of the private sector employees and amounts to broadly half of their monthly salary. It applies only to the private sector while in the public sector it was abolished in 2013. The state will cover the fraction of the Easter bonus that corresponds to the period of suspension and the cost is estimated at 0.1% of GDP.

Additional measures with a fiscal impact of 0.5% of GDP as depicted in Table 3.1 which include among others: (i) 25% discount on tax and social contributions obligations paid in expected deadlines, (ii) extension of the regular and long-term unemployment benefit for persons whose rights would expire in March for two additional months, (iii) capital transfers to support specific areas of the primary sector of the economy affected by the Coronavirus outbreak, (iv) local governments were granted the possibility to abolish local government levies until June for the companies whose operation was suspended, (v) a temporary increase in the clawback ceiling for hospitals, (vi) additional support to ministries to cover expenditure related to the Coronavirus outbreak, (vii) extraordinary Easter bonus to public sector employees working in hospitals, National Emergency Aid Centre, National Organisation of Public Health and Civil Protection, (viii) temporary economic support of €400 to long-term unemployed.

The authorities have also adopted a number of measures to improve the liquidity of the private sector, worth 1.9% of GDP which is expected to mobilize up to 3.6% of GDP of additional loans (see section 2.2 and table 3.1). These measures aim to support the sectors of the economy affected by the Coronavirus outbreak by providing liquidity in the short run. Firstly, the government has postponed the payments of tax and social security obligations including the tax instalment schemes for at least 3 months for all companies, self-employed and wage earners affected by the Coronavirus pandemic. The size of the suspension is estimated at 0.6% of GDP without however affecting the fiscal balance as these obligations will remain due within the year. Secondly, medium-term liquidity will be provided to businesses through a cash collateral guarantee mechanism of €2.0 billion provided by the Hellenic Development Bank. The loans will be provided by the commercial banks to small and medium-sized enterprises, as well as large companies. A further extension of the total envelope for TEPIX II scheme from the Hellenic Development Bank, with an additional 250 million is also envisaged. For a detailed analysis of these schemes please consult Section 6.1.

Table 3.1: **Measures to tackle the Coronavirus outbreak included in the Commission 2020 spring forecast**

	Size 2020		Financed by:			Fiscal impact 2020	
	in mil euros	*as % of GDP*	Ordinary budget	Corona response investment initiative	PIB reallocation	in mil euros	*as % of GDP*
Budgetary measures	**8,403**	***5.0***	**6,210**	**1,500**	**693**	**6,210**	**3.7**
Temporary economic support to wage earners and self-employed	2,481	*1.5*	1,993		489	1,993	*1.2*
Repayable advance payment	2,000	*1.2*	1,300	700		1,300	*0.8*
Social Security Contributions paid by the state	1,313	*0.8*	1,313			1,313	*0.8*
Interest payment on performing loans of SMEs	800	*0.5*	0	800		0	*0.0*
Suspension of Social Security Contributions instalment schemes by 3 months	274	*0.2*	274			274	*0.2*
Additional support to the healthcare system	273	*0.2*	273			273	*0.2*
Easter bonus state contribution for employees under labour suspension	203	*0.1*	203			203	*0.1*
Temporary Economic support to certain liberal professions	189	*0.1*	0		189	0	*0.0*
Extension of the regular and long-term unemployment benefit	154	*0.1*	154			154	*0.1*
Support of the primary sector of the economy	150	*0.1*	150			150	*0.1*
Abolishment of Local Government levies	110	*0.1*	110			110	*0.1*
25% discount on tax and SSC obligations paid in expected deadlines	108	*0.1*	108			108	*0.1*
COVID-19 expenditures of other ministries	100	*0.1*	100			100	*0.1*
Clawback to hospitals	85	*0.1*	85			85	*0.1*
Easter bonus to medical and other staff	62	*0.0*	62			62	*0.0*
Temporary economic support to long-term unemployed	62	*0.0*	62			62	*0.0*
Special purpose leave for parents	20	*0.0*	20			20	*0.0*
Compensation of passenger ships	15	*0.0*	0		15	0	*0.0*
Other	4	*0.0*	4			4	*0.0*
Liquidity measures	**3,264**	***1.9***	**1,014**	**0**	**2,250**	**0**	**0.0**
Cash collaterals (bank guarantees) by Hellenic Development Bank to banks for loans to affected companies	2,000	*1.2*	0		2,000	0	*0.0*
Deferral of VAT payments	425	*0.3*	425			0	*0.0*
Deferral of social security contributions payments	286	*0.2*	286			0	*0.0*
Deferral of payments of tax debt instalments	303	*0.2*	303			0	*0.0*
HDB co-financing loans to SMEs /1	250	*0.1*	0		250	0	*0.0*
Total measures	**11,667**	**6.9**	**7,224**	**1,500**	**2,943**	**6,210**	**3.7**
Expected additional impact of liquidity measures	**8,000**	**3.6**				**0**	**0.0**
Total impact	**19,667**	***10.5***	**7,224**	**1,500**	**2,943**	**6,210**	**3.7**
as % of GDP			***4.3***	***0.9***	***1.7***		

(1) The funds to Hellenic Development Bank were disbursed already in 2019 from the Public Investment Budget.
Source: European Commission

Apart from the Coronavirus outbreak, Greece is also grappling with renewed migration pressures. Greece has recorded a 46% increase in migrant arrivals in 2019 and the inflows have further strengthened in the first quarter of 2020. The steady increase in the number of asylum seekers poses challenges to Greece's migration management capacities and makes intensified border protection and patrol activities necessary. To support and acknowledge Greece's efforts, the EU pledged to provide Greece €700 million emergency support. This, together with a more prudent reporting and forecast of the migration-related expenses contribute to the relaxation of the budgetary constraints Greece might face in addressing the migration crisis. The migration-related expenses that were not financed through EU-funds and are therefore excluded from the primary balance considered under enhanced surveillance reached 0.1% of GDP in 2019 and are expected to increase to 0.2% of GDP in 2020. The authorities have taken steps to record these expenses across the public administration and clarified that the range of eligible costs includes wages of police officers assigned to the management of the migration crisis.

The authorities have postponed the adoption of a Medium-Term Fiscal Strategy for 2020-2024. Due to the exceptionally high macroeconomic and fiscal uncertainty for the short term, the authorities have decided to postpone the adoption of a more comprehensive fiscal strategy for the medium term.

As a result of the measures adopted to tackle the Coronavirus outbreak and the deteriorated macroeconomic environment, the updated forecast of the European institutions ([6]) expects the primary balance to turn to a deficit of 3.5% of GDP in 2020 and reaching a small surplus in 2021. The projection reflects the cost of functioning of automatic stabilisers with an estimated impact on the balance of 3.3% of GDP, and the fiscal impact of measures taken by the government in order to tackle the Coronavirus pandemic, which is expected to deteriorate the balance by another 3.7% of GDP. On top of these revisions, the macroeconomic outcome of 2019 negatively affects the 2020 forecast by 0.3% of GDP, mainly through a substantial decline of the gross operating surplus in 2019, implying a low tax base for this year's corporate income tax. The forecast also takes into account a prudent assessment of the carryover of value added tax revenues in view of the heightened uncertainty and lower balances of local governments which can be attributed to the decrease in expected revenues due to the amendment made in municipality levies measure. Finally, the flexibility provided due to the Coronavirus outbreak as regards the frontloading of EU funds in combination with the increase in EU co-financing rate are expected to affect positively the balance by 0.4% of GDP. On the back of a projected rebound in the economy, the primary balance is expected to return to a surplus in 2021 and reach 0.7% of GDP.

Greece benefits from the same flexibility arrangements as other Member States in the context of the Stability and Growth Pact. Faced with the emerging implications of the Coronavirus outbreak, the 16 March 2020 Eurogroup stated that the full use of the flexibility will be made available under the Stability and Growth Pact to all Member States. In a Communication adopted on 20 March 2020, the Commission shared with the Council its view that the severe economic downturn resulting from the Coronavirus outbreak warranted the activation of the general escape clause of the Stability and Growth Pact ([7]). On 23 March, EU Finance Ministers supported that view. 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. It does not suspend the procedures of the Stability and Growth Pact nor Greece's commitments but it will allow the Commission and the Council to undertake the necessary policy coordination measures in order to tackle the economic consequences of the pandemic.

The inherent uncertainty in the current forecast and assessment is much larger than in normal times. At the time of drafting this report, only very preliminary data were available to confirm the magnitude and the severity of the economic and fiscal fallout. The degree to which the economic downturn will take its toll on public revenues and social expenditure is subject to substantial uncertainty and could be larger than

([6]) Published as the Commission 2020 spring forecast: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts_en.
([7]) https://ec.europa.eu/info/sites/info/files/economy-finance/2_en_act_part1_v3-adopted_text.pdf.

assumed in this projection. Furthermore, there is considerable uncertainty about the final costs of the emergency budgetary measures adopted by the authorities. Notably, fiscal recording of the measure on tax deferrals is subject to uncertainty. In principle a (planned delay) in the actual cash receipts should not prevent the fiscal recording of the revenues in accrual terms for 2020. However, if there is considerable uncertainty whether the deferred amounts will indeed be paid in full, the deferred (and not recovered) amounts might be considered lost for the year. This is a considerable downside risk for 2020 and a moderate upside for 2021. Further risks relate to an eventual extension of the currently assumed measures. An extension of the currently adopted measures beyond May could have a negative impact on the fiscal balance. Such extensions are however not considered at this stage. In view of the uncertainty, the assessment will be updated in the autumn.

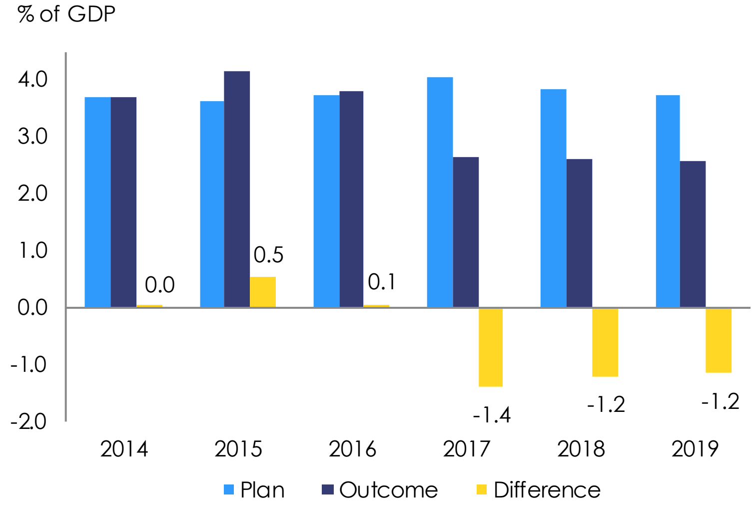
Public finances face further risks with respect to ongoing court cases and public service obligations. As analysed in the previous report, the Council of State is expected to issue a milestone ruling on retroactive payments to pensioners. An additional fiscal risk stems from the litigation cases against the Public Real Estate Company (ETAD). Although some small amounts have already been awarded in favour of the plaintiff, which are enforceable, the question of the validity of the most important (in terms of adjudicated amounts) recent arbitral awards is still pending before the Athens Court of Appeal, following the filing of petitions for their annulment by the Public Real Estate Company. The remaining fiscal risks with an estimated total cost of 0.2% of GDP relate to the Hellenic Post's restructuring and more specifically to the payment of the remaining public service obligation claimed by the Hellenic Post for the period 2013-2020 and the financing of the planned voluntary exit scheme.

3.2. PUBLIC INVESTMENT

Public investment continued to be under-executed in 2019. Compared to the initial plans, general government investment was lower by 1.2% of GDP while the total impact on the general government balance was broadly neutral due to the lower drawing of EU funds. Public investment has been continuously under-executed in recent years with only 62% of the investment appropriations allocated to ministries being actually spent on general government investment in 2017-2019, compared to an average of 88% in 2014-2016. The recurrent undershooting of investment expenditure in recent years raises concerns in view of the country's large investment needs, making the best use of EU funds and, ultimately, economic growth.

As shown in Graph 3.1, the outturn for public investment in recent years was considerably lower that envisaged in the budget. The under-execution concerned investment by both the general government as a whole and the state budget in particular (net of grants to general government entities). In the past three years, the under-execution at the level of general government exceeded 1.2% of GDP or €2.3 billion. The biggest part of the undershooting stems from the investment projects managed by the central government/ministries (0.9% of GDP).

Graph 3.1: **General government investment execution 2014-2019**



Source: European Commission

The reasons for the continued undershooting of public investments are numerous and the authorities have taken some measures to address them, while there remains substantial scope for additional action. Making the best use of available resources in the public investment budget will be key also to preparing the ground for a speedy recovery after the Coronavirus outbreak. While the immediate priorities of the government are justifiably focused on initiating emergency measures to tackle to current crisis, addressing the issues which hinder the efficient management and execution of public investments will support the country's large investment needs and economic growth.

The on-going and foreseen actions to improve the management of public investments are the following:

In October 2019, the authorities adopted a law (Law 4635/2019) to establish a National Development Programme for the programming and implementation of the national component of the Public Investment Budget. Based on the experience of the planning and implementation procedures of the EU funds and the existing institutional framework governing the national part of the investment budget, this law aims to set the foundations of an integrated system for the preparation, management, monitoring and control of a National Development Programme. The Plan, having a programming period of five years, aims to set-up a programme of investments, including strategic goals and medium-term policy targets for government entities. The National Development Programme will start to be operational in 2021. Its swift implementation is considered key for improving the management of the public investment budget. To this aim, the Greek authorities have prepared a road map, which includes all the specific actions for the successful implementation of the National Development Programme.

The authorities have decided to create a Strategic Projects Pipeline to support the development of large infrastructure projects of national importance. The lack of new mature projects is an important reason for the low execution of public investments.

The project pipeline will support the delivery of National Growth Strategy priorities, ensure the timely preparation of projects, plan future public expenditures and maximize complementarities between private, public and EU funded projects, by optimising the blending of funds. It will demonstrate the feasibility and value-added of potential projects, describe the level of their maturation, costing and multi-year budgeting, and clarify the sources of funding. The pipeline will be coordinated by the Presidency of the Government. The establishment of the Strategic Projects Pipeline will considerably improve the coordination of investments and the efficient management of the public investment budget and contribute to its increased execution. The authorities committed to define and agree on the scope and role of the pipeline by July 2020, establish it by September 2020 and ensure staffing and operationalization by October 2020. The pipeline is expected to be fully developed by January 2021.

The authorities have decided to establish a Project Preparation Facility to help to support the preparation and implementation of priority infrastructure investment projects included in the Strategic Projects Pipeline. The slow preparation and implementation of projects is another reason for the continued undershooting on public investments. The Facility will support projects in a number of sectors, including energy, environment, social, transport and digital economy infrastructure. Support will be provided through a core team of experts who will support the key stages of project development: preparation of feasibility studies, cost/benefit analyses, preliminary and detail designs, spatial planning procedures, support for the tendering process, supervision of works, other preparatory sectoral studies, preparation of terms of references, capacity building of beneficiaries and administrative support for monitoring the progress of the projects. The Facility will also enhance Public Private Partnerships. The Facility will be hosted in the Hellenic Development Bank. It is expected to attract additional human resources from international financial institutions and relevant Greek authorities. The scope and role of the Facility will be defined by July 2020 and a roadmap will be designed by September 2020. The initial staffing will be placed by October 2020 including by secondments from international financial institutions, with a view to making the Facility fully operational by March 2021.

Other factors that slow down the implementation of projects, weaken their cost management and contribute to the under-execution of public investment relate to insufficient predictability and coordination of archaeological and environmental permits and expropriation procedures, in addition to complexities of associated judicial procedures. Legislative measures were taken in previous years in a number of areas. Regarding archaeology, these include a Handbook of Procedures for Archaeological Works for co-financed projects, a registry for the recruitment of experts (archaeologists) and the mapping of the archaeological procedures implemented with own means. Regarding expropriations, they include the reduction of the number of responsible bodies and the standardisation of the process for the expropriation of agricultural land. A transparent methodology to assess the value of expropriations has been established and no public procurement is possible, unless expropriations are in an advanced stage (Law 4412/2016). The measures include as well the certification of 120 independent experts, the opinion of whom would be mandatory for the Courts in cases of co-financed projects. Once these measures are fully in place, it is estimated that the project implementation stage could be shortened by 4-6 months.

The authorities have recognised the need to improve the flow of information between the ordinary (non-investment) and the investment budget. The investment budget is prepared and executed independently from the non-investment state budget, which is a practice followed by some Member States and one that requires high standards of transparency and flows of information between the authorities managing the two budgets in order to avoid inefficiencies. Greece has adopted a detailed action plan to remedy the situation in November 2019, with an implementation timeline reaching to 2021.

The implementation of the November 2019 action plan to enhance the monitoring and forecasting of the Public Investment Budget is on track. Based on the progress report shared with the European institutions in March 2020, some of the actions such as the exchange of data between the responsible ministries and monthly updates of the total allocation of investment expenditure so as to detect emerging underspending early on are already in place, while some others are in progress, including those related to technical adjustments of the IT systems and improvements of the revenue forecast. In the context of the action plan, technical support by the European Commission is being provided on automating and streamlining implementation procedures, while an additional project is under preparation to support the collection, handling and reporting of the data related to monitoring, budgeting and forecasting of expenses and revenue of the Public Investment Budget. The authorities are encouraged further efforts towards a timely implementation of the action plan, which also deals with the implementation of a single accounting framework for the whole public administration (see the Chart of Account reform in section 3.5).

The authorities have further engaged with the European institutions regarding the possible use of SMP-ANFA income equivalent amounts for reducing gross financing needs or financing other agreed investments ([8]). The Greek authorities intend to use the next tranche of SMP-ANFA income equivalent amounts to reduce gross financing needs. Following the mandate given at the December 2019 Eurogroup, technical work to operationalise the Eurogroup statement of June 2018 has been undertaken by the European institutions and the authorities. The workstream will be taken up again in autumn 2020, in the context of progress made on improving the planning and execution of public investment referenced above.

3.3. TAX POLICY

In the face of the quickly developing Coronavirus situation, the Authorities were unable to finalise the on-going nationwide property tax valuation exercise (a mid-2020 specific commitment) in time for the current year's tax assessment cycle. The original commitment had been to revalue property tax values in line with market prices and broaden the base of the property tax by end-March 2020. Unfortunately it was

([8]) The June 2018 Eurogroup statement mentioned that the available income equivalent amounts will be transferred to Greece in equal amounts on a semi-annual basis in December and June, starting in 2018 until June 2022, via the European Stability Mechanism segregated account and will be used to reduce gross financing needs or to finance other agreed investments.

impossible to finalise the revaluation exercise in the face of the social distancing measures introduced against the Coronavirus. This will postpone the implementation of the wider property tax reform to 2021 and have a small approximately €150 million fiscal effect on 2020 revenues. The authorities have committed to reschedule the exercise to autumn with the objective of aligning the property tax values to market prices by January 2021.

3.4. REVENUE ADMINISTRATION

The Independent Authority for Public Revenue has been at the centre of the authorities' efforts to combat the economic impact of the Coronavirus pandemic. The Independent Authority has under strict time pressure been able to administer the deferrals of taxes and instalments for legal for companies and persons. Further, the 'myBusinessSupport' portal hosted by the Independent Authority provided the platform for businesses to submit applications to the refundable advance payments scheme with more than 139,000 companies taking part. The Independent Authority also issued electronic resident certificates for permanent residents at the islands, in order to facilitate their movement in accordance with the containment measures imposed to tackle the pandemic.

The Independent Authority is on track in meeting the majority of its key performance indicators for the first quarter of 2020 and its staffing numbers increased at a modest pace during this period, although remaining well below the targets (an end-2019 specific commitment). Debt collection has continued at a similar pace for the first quarter of 2020 as for the same period of the previous year, while the proportion of fresh audit cases has increased (see Table 3.2). It is noted that whereas end-2020 targets have been set for the key performance indicators, quarterly sub-targets are yet to be defined. Staffing levels continued to increase during the first quarter and currently stands at 11,916, compared to 12,500 that was set as the target by end of 2019.

Table 3.2: **Key performance indicators of the Independent Authority for Public Revenue (first quarter of 2020)**

			End-2020 Target	Q1 2020 Result	Q1 2019 Results
Debt collection	KPI 1	Collection of tax debts as of the end of the previous year (EUR millions)	2,900	867	924
	KPI 2	Collection of new debts in the current year (percent of new debt in the year)	30%	15%	15%
	KPI 3	Collection of debts by Large Debtor Unit (EUR millions)	675	N/A	200
Audits of fresh tax cases by the whole IAPR	KPI 4	Percent of fresh tax audit cases in total completed audits	70%	63%	55%
Tax audits and collection of large tax payers	KPI 5	Collection after audits in the year (percent of assessed tax and penalties)	40%	94%	104%
Tax audits and collection of high wealth individuals	KPI 6	Collection after audits in the year (percent of assessed tax and penalties)	40%	63%	1097%
Tax refunds	KPI 7	Percent of VAT tax refund claims processed within 90 days	95%	93%	94%
Compliance and enforcement	KPI 8	Percentage of total tax paid on time for VAT, Income and Property taxes	84%	N/A	82%
Percentage of total tax paid on time for VAT, Income and Property taxes	KPI 9	Percentage of debtors under enforcement measures	68%	72%	66%
Pre litigation phase	KPI 10	Percentage of cases closed by explicit decision of the DRU	87%	96%	96%
Prosecution audits by Mobile Units	KPI 11	Prosecution audits by Mobile Units (Customs Administration)	35,000	3 246	7,622

Note: Preliminary figures. Targets for the key performance indicators were set for end-2020 but quarterly sub-targets are yet to be set.
Source: European Commission

The complementary measures in the areas of human resources, IT and housing needs, agreed in 2019 have seen limited progress. First, the primary legislation on the human resources reform (the wage grid) remains pending and is a requirement for the reform to become operational. The authorities are yet to submit a revised timeline by when the new system will be launched, instead of July 2020. Second, on the IT framework, no progress has been made to clarify key competency areas and the updating of the existing service-level agreement between the Independent Authority and the Ministry of Digital Governance (General Secretariat for Information Services for the Public Sector). The efforts to clarify the competency areas and strengthen the interoperability of various databases are expected to be stepped up with greater urgency during the next reporting period with an updated Service Level Agreement to be in place by end of 2020. Concrete results in this area will strengthen the capacity to combat tax evasion and facilitate the timely collection of taxes. Third, as concerns relocation of the headquarters of the Independent Authority into one single location, the previously identified building is no longer available as the government prioritised the housing needs of the General Secretariat of Civil Protection. However, the authorities has presented plans for a new building to be erected next to a building to host the Ministry of Finance in a location at the outskirts of Athens. The tender for the construction is expected to be launched by the first quarter of 2021, while the Independent Authority should be able to access the building by April 2024.

The authorities are taking steps to strengthen the operational capacity of the Operational Coordination Centre that coordinates anti-smuggling efforts. The draft legal provisions aiming to strengthen the Centre’s capacity and governance are expected to be adopted by end of May 2020. The draft provisions will, for example, upgrade the steering committee to the Ministerial level and allow for secondments of operational staff for up to six year. In terms of the selection process for the up to 20 operational posts, the criteria included are welcome, but the actual appointment decision should be consistent with the provisions of the Executive State Law ([9]) that delegates such decisions to the administrative level. The authorities remain committed to also proceed with an overall revision of the customs law, including strengthening intelligence methods for anti-smuggling operations, which has been delayed due to the Coronavirus pandemic.

While the redirecting of the Independent Authority's resources to deal with the initiatives launched to mitigate the economic impact of the Coronavirus pandemic has affected some work streams, progress has still been made on a number of other projects improving tax collection and compliance. The preparations to launch an electronic invoicing system through 'myDATA' (Digital Accounting and Tax Application) continues as planned and the certification of the first electronic invoicing service providers is expected by June 2020. Another component concerns electronic bookkeeping that is expected to start in July for the businesses who will opt for e-invoicing. The Model Collection Office project, which has received technical support provided through the European Commission, approaches completion and appropriate premises have been secured. However, the needed personnel is yet to be identified and transferred. Further, as concerns the end-to-end collection system project (a specific commitment for mid-2021), is progressing with the implementation study now finalised, but it is expected that the whole project will need a time extension of eight months. Finally, as concerns audit, secondary legislation has been adopted ([10]), which sets out the substance and the process of applying indirect audit methods to determine the taxable base. With regard to the general audit procedures, additional initiatives from the authorities in improving the audit process would be conducive to enhancing the efficiency and quality of audits, such as establishing a model audit office that is currently being considered by the Independent Authority.

It is welcome that the authorities decided to request further technical support through the European Commission to also cover the public revenue administration. The continuation of the technical support is particularly important as the ongoing support provided to the Independent Authority by the International Monetary Fund is phasing out. The specific areas where technical support will continue to be provided by long-term advisors with extensive experience in other Member State's revenue administrations include indirect audit methods, anti-smuggling capacity, taxpayer services and the human resources reform. In addition, a project for developing a comprehensive compliance risk management framework and capacity within the Independent Authority has been approved and is currently under preparation.

The Joint Centre for the Collection of Social Security Debt continues to meet its targets. Similarly to previous years, specific quarterly targets have been set for the debt collection expected by the Joint Centre. These targets are also incorporated in the revenue estimates for this year's budget. For the first quarter, the target was for €333 million to be collected, which was exceeded as €346 million were collected and

([9]) OJ A 133/2019.08.07, Articles 37 and 109.
([10]) Governor Decision, A.1008/2020.

also exceeded the collection for the same period in 2018 (€312 million). Further, a positive development is that the secondary legislation concerning the definition of what constitutes uncollectable debt and that have been pending for a long time has been adopted ([11]). This will allow the Joint Centre to apply the classification of uncollectable debt as already used by the Independent Authority, which strengthens the coherence and transparency.

3.5. PUBLIC FINANCE MANAGEMENT

Arrears

According to latest data, arrears stand above targets also due to the Coronavirus outbreak that has affected the collection of data on arrears as well as progress on the clearance plan agreed in October 2019; nevertheless, some measures should help to decrease the stock of arrears. January 2020 stock of arrears amounted to €1.3 billion, about €340 million above the clearance target ([12]). Higher absenteeism in the public sector due to the measures taken in relation with the Coronavirus pandemic created delays in labour-intensive processes such as clearing and reporting on the stock of arrears. The authorities were not in a position to deliver complete aggregate data after January and reported that some subsectors may witness a temporary rise of their arrears. Nevertheless, two measures related to arrears clearance were designed, and should allow for clearing 15% of the January stock of arrears. The first one uses an e-platform that should be launched shortly and that would allow for new payment modalities of arrears toward health providers ([13]). According to the authorities, this new process would allow for clearing €186 million stock of health arrears. The second measure allows for an immediate clearance of tax refunds related to income tax of legal entities and value added tax that are currently under audit and do not exceed €30,000. The authorities expect that the amount of arrears related to tax refunds of approximately €8 million as a result of the measure.

The authorities remain committed to their October 2019 clearance plan and designed some actions that are ongoing in a number of subsectors. In spite of the Coronavirus pandemic, the authorities maintained their clearance plan, which aims to fully clear arrears by end-2020, with the exception of €140 million for pension claims that would be cleared by June 2021. More specifically, the authorities are still planning to implement a new IT system in the Single Social Security Fund (EFKA) with a view to substantially accelerating the pace of clearing the backlog of pension claims. Moreover, new managerial incentives and methods have been designed to offset the accumulated delays and achieve the clearance targets. In view of the fact that local governments seem to have been reporting amounts that should not be counted in their stock of arrears, the Ministry of Interior is currently taking measures to clarify the statistical reporting of arrears. Moreover, whereas weaknesses in the hospitals procurement process had previously been identified as a key factor for the creation of arrears, substantial progress has been made on the centralising procurement for the healthcare sector since the beginning of the Coronavirus outbreak (see section 5.2).

([11]) OJ B 502/19.02.2020.

([12]) January stock of arrears is €69 million above the December 2019 stock. The deviation from the clearance plan target is mainly due to social security funds, pension claims and local governments.

([13]) These arrears pertain to the Single Social Security Fund (EFKA).

The vast majority of the recommendations of the Hellenic Court of Auditors were implemented (a mid-2019 specific commitment rescheduled to mid-2021) and further complementary measures including a plan on implementing a proper framework for internal control, are being designed also with a view to avoiding the accumulation of new arrears. The Hellenic Court of Auditors has set up a plan with a view to increasing the awareness of the general government entities of their legal obligations in terms of internal control ([14]). The National Authority for Transparency cooperates with the Court to strengthen the internal control process in both central and local government (see section 9.3). The first set of guidelines for the implementation of an integrated internal control system in the public sector has been issued and circulated while training activities are planned to be delivered. The National Authority for Transparency also target to establish and operationalize internal audit units in the organigrams of ministries. The International Monetary Funds has finalised in February 2020 its technical support report for streamlining the payment processes in the central government. Some recommendations are related to accelerating the payment process for the central government, which can help prevent the emergence of new arrears. When designing and shifting to their new accounting IT framework ([15]), which provides for an opportunity to improve payment processes, the authorities intend to implement many of these recommendations.

Treasury Single Account

All significant entities have joined the Treasury of Single Account system, which is operational and provides a useful overview of the cash situation of the state (an end-2019 specific commitment rescheduled to mid-2020). Out of the 1,700 general government entities officially listed, 650 do not yet maintain an account at the Bank of Greece. The Public Debt Management Agency as well as the Ministry of Finance and the Bank of Greece are therefore able to monitor, nearly in the real time, a great part of the cash flows and cash balances of the general government. Deposits of general government entities and liquidity of the Public Debt Management Agency within the commercial banking system will remain outside of the Treasury of Single Account. The Ministry of Finance monitors the requirement according to which general government entities should not hold more than a fifteen days liquidity buffer in commercial banks. The developments regarding the substitution of paper orders by electronic ones are encouraging, especially after entities with high visibility and substantial transactions have joined the e-payment portal of the Bank of Greece. The remaining challenges are minor. They concern the rationalization of the number of cash accounts with law balances and the extension of the Treasury of Single Account to eventually cover all the entities that should be part of the scheme.

The pilot project on cash forecasting that covers the majority of state's cash reserves will be rolled out according to the March 2020 draft strategy. According to the interim report on the matter, a substantial share of the pilot entities did not report

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([14]) The implementation of the recommendations of the Hellenic Court of Auditors made in March 2018 is a specific commitment. The need to enhance internal control mechanisms across general government has been recommended by the Hellenic Court of Auditors in their follow-up audit on arrears.

([15]) The project is referred as Government Enterprise Resource Management (Gov-ERP). It will be co-financed by European funds and will be executed by the Ministry of Finance and the Ministry of Digital Governance.

their cash needs in the first months of the project and data submission in March has been significantly delayed in light of the measures that were taken to respond to the Coronavirus outbreak. On the other hand, despite the complexity of the cash forecasting exercise, the authorities reported that among entities that reported data, only a few submitted incomplete forecasts and that some entities submitted data files of excellent quality. The pilot project will be gradually fine-tuned in the course of 2020. In March, the authorities drafted a strategy for extending this project to the entities that are not yet part of the pilot as of January 2021, under the condition their budgeted expenses exceed €50 million. Given that the entities that are part of the pilot project account for at least 70% of the total state cash balance, the €50 million threshold allows for capturing the majority of the cash reserves of the remaining general government entities and is therefore deemed appropriate.

Chart of Accounts

The implementation of the Chart of Account reform is broadly on track (a mid-2021 and mid-2022 commitment). Although the Coronavirus pandemic caused further delays in the procurement of the new IT system supporting the Chart of Account reform, the call for tender is expected to be launched as soon as the major providers will be in a position to respond, and the overall timeline of the project is likely to remain unchanged. Further steps in the right direction have been taken in a number of fields. Among others, the General Government Accounting Directorate, which is to be reinforced, is finalizing an accounting policy for the first time implementation of the new General Government Accounting Framework, which is a precondition for the compilation and the closure of the pending 2019 financial statements of the state and for transitioning towards accrual accounting in an orderly manner ([16]). In addition, some amendments of the legal framework have been drafted, in order to ensure a smoother transition and facilitate the adoption of the necessary Accounting Policies. The integration of the invoices into the IT accounting system of the state, in order to ensure that they are recognized fully and in a timely manner, is pursued under the e-invoicing project in the public sector. The strategic decision was made to place the project under the control of the Steering Committee for the Accounting Reform, in order to ensure that it also delivers on true and fair financial reporting. The functional classification of the Chart of Account is being designed in accordance with the performance budgeting framework. The five ministries that have not joined the pilot yet are expected to do so in 2021. Technical support is provided through a project on the implementation of the Chart of Accounts, while another project is under preparation and is aimed to ensure the continuation of the technical support and capacity building actions for the General Accounting Office of the State.

The implementation of the Chart of Account in the Public Investment Budget remains a challenge. The single accounting framework participate to improve the required transparency and information flows between the authorities managing the non-investment budget and the Public Investment Budget (see section 3.2). The situation differs in the execution and preparation stages of the Public Investment Budget. Regarding the execution stage, the 2019 action plan will allow for presenting

([16]) In accordance with PD 54/2018 the whole of the general government is to adopt accrual accounting by 2023.

the execution of the budget in accordance with the Chart of Account classifications. Nevertheless, given that the action plan is not designed to deliver on accrual accounting ([17]), the authorities were encouraged to envisage avenues for addressing this issue in the medium term. Regarding the budget preparation stage, the authorities consider that the Public Investment Budget can only abide by the less detailed level of administrative and functional classifications of the Chart of Account. However, they committed to consider potential avenues for improving the situation with the help of technical support that will be provided by the European Commission ([18]).

Public Procurement

The authorities committed to adopt a new public procurement strategy for 2021-2025 by end 2020 that would contribute to a more sustainable and efficient use of public resources. A well-functioning public procurement process is a key element in the investments process that will be crucial for the recovery after the Coronavirus outbreak. However, Greece's procurement market still has a number of deficiencies ([19]). An efficient public procurement would help to rationalise public spending, boost growth and guarantee a competitive business environment (see section 7.2). In addition, such a strategy could have spillovers on the digital reform agenda (see section 7.2) and on the green policy. The authorities agreed to take stock of the various issues in the public procurement legal framework and its implementation before taking actions on issues that need to be addressed by priority in light of relevant EU legislation. They will also adopt a new 5-years national strategy on public procurement and a road map. The authorities foresee to agree on a public procurement strategic partnership with the Commission with a view to be supported in their endeavour.

([17]) Accrual accounting requirements are distinct to the double-entry bookkeeping requirements of the general government accounting framework.

([18]) In addition to the technical support project provided through the European Commission, the Ministry of Development has requested assistance from the International Monetary Fund, in the form of a Public Investment Management Assessment (PIMA), with a view to improving budgetary practices.

([19]) See section 4.1.4 of the Country Report published in February 2020.

4. SOVEREIGN FINANCING

4.1. SOVEREIGN FINANCING

Greece's debt servicing needs are low in the coming years. Since the onset of the crisis, Greece has successfully issued both treasury bills and long-term bonds with seven-year maturity, indicating sustained access to short and medium/long-term market financing. Greece's debt servicing costs in 2020 and 2021 are low, and mostly reflect the refinancing of short-term bonds. Greece has only about €3 billion of long-term bonds that mature in 2020 and of around €5.1 billion of interest expenditure to cover. Debt servicing cost will remain modest in 2021 too, with only about €10 billion of medium and long-term loan repayment and interest expenditure.

The volatility of the yield spreads has increased. Greece enjoyed a long and almost uninterrupted decline of the spreads on its bond yields until mid-February 2020, when they reached their lowest levels since 2009. As the signs of the coming crisis began to appear, spreads have started to increase with some high volatility until 18 March with spreads reaching a high of around 400 basis points on a 10-year maturity, when the European Central Bank announced its Pandemic Emergency Purchase Programme. Due to a waiver of the eligibility requirements, the Greek government bonds have become eligible for purchases under this program. After a decrease in the days after the start of the programme of around 200 basis points, the Greek yield spreads over the German bonds have increased again, and have settled close to 270 basis points by the end of April for the ten year tenure, which is around 130 basis points higher than the February lows but still around 130 basis points points lower than the highest value in March.

The considerable cash reserves provide a cushion to absorb liquidity shocks. The cash buffers of the general government reached around €34 billion at the end of March 2020. This includes €15.7 billion in the cash buffer account (built also through disbursements under the European Stability Mechanism programme and 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.), €10 billion of state deposits in the Bank of Greece and commercial banks, €1.9 billion of general government entities' deposits in the Bank of Greece ([20]). Given the limited debt service needs discussed above, the cash buffer is available to absorb liquidity shocks in the coming months. Greece signalled that it plans to keep its presence in the bond markets and raise further cash to cater for downside financing risks.

A further intensification of the crisis may lead to non-trivial increases in financing needs. The main risk for the Greek state financing would be if the economic standstill and the related containment lasted well beyond May. This could lead to a substantially higher deficit than currently assumed and may require additional use of the cash reserves in the early summer months.

([20]) The remaining amount refers to deposits of general government entities' in commercial banks, which may be more difficult to mobilise.

5. SOCIAL WELFARE

5.1. PENSIONS

The implementation of the 2020 pension law, adopted in February 2020 with a view to addressing an earlier Council of State ruling, is ongoing. As mentioned in the 5th enhanced surveillance report, the authorities have also created a new system of social security contributions for the self-employed. The implementation of the 2020 pension law is ongoing: the relevant circulars have already been issued while other secondary legislation is being drafted.

The authorities have updated their action plan to finalise the setup of the Single Social Security Fund (EFKA), a mid-2020 specific commitment. The aim of the plan is a comprehensive digital transformation by the end of 2020 leading to a new operational and institutional setup to be called ‘e-EFKA’. The plan consists of 40 specific actions. These are organised under the following seven pillars: i) the modernisation of infrastructure, ii) investment in IT systems, iii) administrative reforms, iv) improving existing and creating new IT services, v) ensuring interoperability with other public IT systems (e.g. with the Independent Authority for Public Revenue), vi) developing the digital skill of the personnel and vii) concrete steps to safeguard personal data protection. The major organisational measures to be completed by end-June 2020 concern the merging of the Supplementary Pension Fund (ETEAEP) into the Single Social Security Fund and the creation and operationalisation of the department for Public Sector Pensions within it. The remaining organisational reforms are the creation of local subsidiaries for farmers and self-employed. The reforms concerning the subsidiaries have been suspended due to the Coronavirus crisis. The authorities expect that the reforms will be fully completed within four months after operations resume.

The 2019 legislation related to the transfer of the supplementary pension fund of the National Bank of Greece (a commercial bank) to the state was revised in March 2020. The revision followed an agreement between the state and the bank. The purpose of the reform was to avoid further litigation and to harmonise pension benefits. According to the amended law, the bank will contribute some €40 million per year until 2032 and the benefit rules for retirees are harmonised with the general supplementary pension rules.

5.2. HEALTHCARE

Greece demonstrated strong responsiveness to the health emergency, by putting in place strict social distancing measures shortly after the detection of the first cases. By closing down all non-essential shops just a few days after the first recorded death and by putting a ban on non-essential movement in the country early on, Greece prioritised public health and patients’ safety, despite the unavoidable and known impact on economic activity. Penalties for non-compliance were set up to support the effective implementation of the national containment measures. Measures to contain the spread of the Coronavirus among vulnerable groups, who are not only exposed to higher risks in terms of physical health but also of livelihood and living conditions, require careful monitoring by the authorities.

Structural reforms already implemented and additional funding of €200 million are supporting the health system response to Coronavirus but more financial resources may be needed in the short term. Measures agreed during the European Stability Mechanism stability support programme were designed to deliver an effective, accessible and resilient healthcare system and some of these in particular are supporting the response to the Coronavirus pandemic. Measures aimed at enhancing the social dimension, such as introducing universal healthcare coverage and a comprehensive primary healthcare system, alongside others focusing on efficiency and quality such as centralised procurement, are proving key, as they ensure unhindered access to health care services and appropriate supply and stocks of resources. The authorities are currently making use of an extra €200 million to acquire elements to build up the health care system's preparedness for future needs, i.e. intensive care units, ventilators, protective equipment and, crucially, staff.

Clawback collection, a continuous commitment, is progressing with delays, not all imputable to the current emergency situation. Progress in this area continues thanks to the authorities' efforts to meet the originally agreed targets. Given the current extreme circumstances, progress is indicative of the strong commitment and generalised delays are to be expected due to present constraints and priorities. However, some of the existing delays largely stem from before the current emergency. Although significant progress is not possible, based on the latest updates by the authorities, it seems that even prospective measures may be too soft to correct the trend of the ever increasing clawbacks, the size of which challenges a regular and timely collection. The recently implemented extension of the repayment periods supports providers in managing otherwise very large repayments, but more forceful measures could pre-empt the need of any extension by limiting the size of due amounts. To address the situation, the authorities are planning some measures to strengthen therapeutic protocols by automatically linking them to laboratory results, which would limit inappropriate prescribing and expanding registries, such as those for cancer patients. Introducing means-tested exemptions for co-payments would strengthen patient protection but is not considered at present.

The roll-out of primary health care, a mid-2020 specific commitment, had to be suspended given the pandemic. The planned roll-out of the reform has been temporarily suspended and all the available primary health care units have been deployed to respond to the pandemic and de-burden hospitals. Units solely focused on dealing with Coronavirus cases were set-up to support the population, both providing a clear reference point and limiting unnecessary contact between patients who have contracted the virus and those who may have not. To this effect, the authorities are working on tools such as telemedicine, whereby patients can have remote access to a family doctor that would decide the most appropriate course of action, be it a follow-up home visit or a referral. This would protect both patients and medical staff and promotes rational use of a system that is already under pressure. For instance, it could limit unnecessary visits to emergency departments, which need to be available to treat the most serious cases. The authorities have also expanded the bed capacity through agreements with the private sector. The availability of intensive care units has almost doubled, moving from an initial stock of 560 to more than 900 units. In parallel, efforts to attract medical staff, especially doctors, are ongoing and the authorities are working on new incentives. When the primary health care network roll-out can resume largely depends on the duration of the pandemic. Some progress may nonetheless take place on the side of staffing, which is not only needed for the longer-term reform goals but to tackle the current emergency.

Centralised procurement, a mid-2020 specific commitment, is ongoing with a focus on the urgent needs of the health system. The ongoing centralised procurement reform is being trial tested under the current emergency, supported by the additional flexibility provided by the availability of EU level joint procurement tools. Results are satisfactory both for the present situation and with a view to developing a more systematic approach to procurement. Central governance of regional procurement is delivering more efficiency allowing to compare prices, which could be further supported by the re-activation of the Price Observatory, and contributing to achieving certain and defined delivery times, which is vital given the current circumstances. The authorities also developed a tool that builds upon the existing business intelligence system to create a live warehouse for all hospitals to allow for better management of all Coronavirus supplies with daily updates matching stocks with needs by hospital. Draft legislation to convert the new central body for health procurement into a private legal entity is still under development and could benefit from lessons learned from the current emergency. Similarly to the case of primary health care, progress is expected to resume with a timeline subject to the duration of the pandemic.

5.3. SOCIAL SAFETY NETS

The Authorities have agreed with the European Institutions upon a new design for the reform of the Disabilities benefit framework (a mid-2019 specific commitment). The evaluation of an earlier pilot project gave rise to concerns about weaknesses in the questionnaire methodology adopted for the pilot. Following a discussion on EU best practices, a new reform approach will be adopted based on assessments of functional disability based upon physical examinations by qualified experts. Such assessments are widely used by other Member states with the dual role of assessing benefit eligibility and making specific proposals for disability mitigation and rehabilitation. The Authorities have provided a Roadmap for the implementation of the new design of the commitment. After an internal review to report by October 2020, they propose to undertake a further pilot project for the functional assessment that could focus on specific cases, like injury disability applicants from early 2021.

As part of the commitment to complete the rollout of all three pillars of the Social Solidarity Income scheme, the authorities have completed the evaluation the of the pilot of the new delivery system for active labour market policies, an end-2019 commitment, and have set up initial plans to run further pilots for the expansion of the new model. The pilot covering three municipalities in the region of West Attica (Elefsina, Asporpyrgos, Mandra), has been evaluated by the World Bank with the help of technical support provided through the European Commission, in terms of service delivery and program design. The pilot was designed to provide integrated services as well as targeted and individualised support (profiling/counselling, vocational training, entrepreneurship, public works and wage subsidies) to those aged 45 and over who have been registered as unemployed for at least six months. Despite some significant drawbacks identified in the evaluation report, including among others the low human resources capacity, especially among employment counsellors; the lower than expected target group participation; the red-tape and implementation delays as well as the lack of primary data to be used for monitoring and evaluation purposes; the pilot is considered to represent the pathway for future reforms based on the open-framework model.

The authorities will now proceed to the scale-up of the pilot in additional geographical areas with different labour market characteristics. The characteristics will concern the local economy in transition, consistently high comparative unemployment rates over time or cyclical seasonal unemployment, and single-sector dominance e.g. tourism, agriculture. Furthermore, given that the target group did not meet the expectations in terms of participation, the scale-up will expand participation to a broader age spectrum (30-50), comprising all education levels except degree-holders, and short-term unemployed beyond the 12+ month group. Data will be collected at an early stage to enable evidence-based and data driven analysis and policy.

Regarding the review of the system of subsidies for local public transport, an end-2019 specific commitment, the reform process was interrupted by the coronavirus. Based on data collected for 2019, draft legislation is under preparation to allow a timely objectively-based reimbursement of subsidised public transport tickets to operators in Athens and Thessaloniki. Legislation is expected by September 2020.

6. FINANCIAL SECTOR

6.1. FINANCIAL SECTOR DEVELOPMENTS

The Greek banking sector has become more stable and resilient to shocks since the end of the programme but legacy risks and significant underlying vulnerabilities remain, reinforced by the likely significant negative impact of the Coronavirus outbreak. Liquidity continued to improve throughout 2019, as evidenced by the continuing upward trend in deposits since the abolition of capital controls. However, access to long-term unsecured funding was only slowly being re-established ahead of the Coronavirus pandemic and still at a relatively high cost. Other positive trends observed before the Coronavirus outbreak are now being challenged: for example a pick-up in economic sentiment, which led to an increase in credit provision to large businesses or the start of the real estate prices rebound, a first positive sign for collateral valuations. Greek banks had regained access to long term unsecured funding in 2019, and sealed their return to the markets by tapping it again in two occasions in early 2020 at a lower cost. Nonetheless, asset quality is, even without the impact of the Coronavirus pandemic, still a major challenge, despite the progress made in 2019. The capital position of Greek banks is in line with capital requirements but remains exposed to increased capital demand in the near future and largely dependent on the sovereign through the high share of deferred tax credits in banks' capital. By end 2019, the banks have returned to profitability but it remains low and fragile. It is dependent on lending growth, exposed to a renewed deterioration of asset quality and, to some extent, sovereign spread volatility.

The authorities are taking steps to sustain access to finance for affected businesses, which complement initiatives at the level of private banks and servicers. The government is setting up a series of initiatives. Public guarantees will be offered by the Hellenic Development Bank via the commercial bank network (total envelope for guarantees of €2 billion in the form of cash collateral together with an additional €250 million of guarantees and loans towards the small and medium-sized enterprises through the current 'TEPIX II' scheme). Secondly, direct grants are offered by the government (with a total envelope of maximum €0.8 billion in the form of interest subsidies to existing performing loans) for the provision of credit, and particularly

Table 6.1: **Main Financial stability indicators**

	2014q4	2015q4	2016q4	2017q4	2018q1	2018q2	2018q3	2018q4	2019q1	2019q2	2019q3
Non-performing loans(1)	39.7	46.8	46.3	45.0	45.4	44.9	43.5	41.6	41.6	39.6	37.8
o/w foreign entities	-	-	-	-	-	-	-	-	-	-	-
o/w NFC & HH sectors	41.8	49.5	50.4	49.4	49.2	48.4	47.3	46.3	45.6	43.8	42.3
o/w NFC sector	44.7	52.5	53.9	51.4	51.1	49.4	47.9	46.1	44.5	42.8	40.5
o/w HH sector	38.5	45.9	46.3	47.1	47.0	47.3	46.6	46.5	46.8	45.1	44.4
Coverage ratio	43.5	48.5	48.2	46.7	49.5	49.0	47.8	48.0	47.7	46.7	45.0
Return on equity(2)	-10.6	-24.2	-7.5	-1.3	0.7	-2.4	-0.8	-0.4	1.6	2.6	2.9
Return on assets(2)	-1.0	-2.8	-0.9	-0.2	0.1	-0.3	-0.1	-0.1	0.2	0.3	0.4
Total capital ratio	14.1	16.5	17.0	17.1	16.4	16.4	16.3	16.0	15.6	16.5	16.9
CET 1 ratio	13.8	16.3	16.9	17.0	15.8	15.8	15.7	15.3	14.9	15.6	15.9
Tier 1 ratio	13.8	16.3	16.9	17.0	15.8	15.8	15.7	15.3	14.9	15.6	15.9
Loan to deposit ratio	79.1	72.3	75.9	83.5	78.8	78.4	76.0	74.7	75.8	74.3	76.8

(1) As % of total loans
(2) Annualised data
Source: European Central Bank - Consolidated Banking data; own calculations

working capital, to viable, primarily small and medium sized enterprises. These schemes will complement initiatives backed by the European Investment Bank, in an effort to maintain liquidity in the real economy and support businesses and employment. They will also support asset quality in the banking sector in the follow-up of the voluntary debt moratoria applied by banks and servicers: the Hellenic Bank Association announced a moratorium, following an assessment on a case by case basis, until 30 September 2020 on the capital instalments paid by companies directly affected by the public health crisis, on their performing loans as of 31 December 2019. A moratorium for a period of three months was also extended to loan instalments of targeted affected natural persons, with Servicers of non-performing loans announcing a similar three-month suspension of any loan instalments.

As a result of the Coronavirus pandemic, the profitability outlook of Greek banks is exposed to the risk of a renewed deterioration in asset quality and reduction in new lending activity. Greek banks entered this crisis with one of the lowest return-on-equity in the EU (2.9% annualised compared to an EU average of 6.2%), despite a cost-income ratio well below the EU average (51.4% against 64.2% in the EU in September 2019). This reflects the still high amount of new impairments, the low contribution of commission income ([21]) and the high dependence on net interest income, including large amounts of accrued interest from non-performing loans which may not be collected. In addition, large parts of the banks' performing loan book are heavily exposed to some of the most vulnerable sectors affected by the current containment measures: e.g. tourism and hospitality, shipping, transport and storage and commercial real estate. Some of these sectors were registering the highest rates of credit growth until recently and were expected to be the main drivers for new corporate lending in 2020.

A resurgence in the volatility of Greek sovereign debt yields may have an impact on the profitability of Greek banks if it is persistent. Outright holdings of Greek sovereign bonds by banks have been subject to a supervisory ceiling imposed by the Single Supervisory Mechanism since 2015, which was lifted at the beginning of March 2020. At the end of 2019, Greek sovereign bond holdings of Greek banks represented €22.7 billion, i.e. 7.1% of their total assets, being the main driver behind the banks' trading income and a source of exposure to any increase in sovereign spread volatility, to the extent they are held in the banks' trading books. The inclusion of Greek government bonds in the recent €750 billion Pandemic Emergency Purchase Programme of the European Central Bank is expected to somewhat mitigate such adverse impact during the current crisis.

The banks are compliant with their capital requirements but the capital structure is largely contingent on state-related assets and exposed to increased capital demand in the near-term. Banks' average common equity tier 1 ratio on a consolidated basis stood at 15.9% at the end of September 2019. The capital position of Greek banks is exposed in the near future to a series of factors: These include the implementation of new rules on the treatment of own funds held under Pillar II Guidance, which will no longer be eligible to meet any other capital requirement, the cost of strategies aimed at scaling down non-performing loans and the necessary gradual

([21]) Net fee and commission income represented approx. 15.2% of total income of Greek banks as of end September 2019, the lowest in the EU, compared to an EU average of 28.8%.

phasing out of transitional prudential arrangements ([22]). These factors will still burden the banks' capital position going forward, even if Greek banks will benefit this year from the flexibility provided by the Coronavirus outbreak related measures temporarily offered by the regulators for all Eurozone banks. This is all the more relevant, as the quality of banks' capital remains poor and the sovereign-bank nexus strong, particularly due to the high amount of deferred tax credits. Deferred tax credits of Greek banks at end-2019 continue to represent a substantial part (55.4%) of the banks' Common Equity Tier 1 capital, amounting to €15.7 billion ([23]).

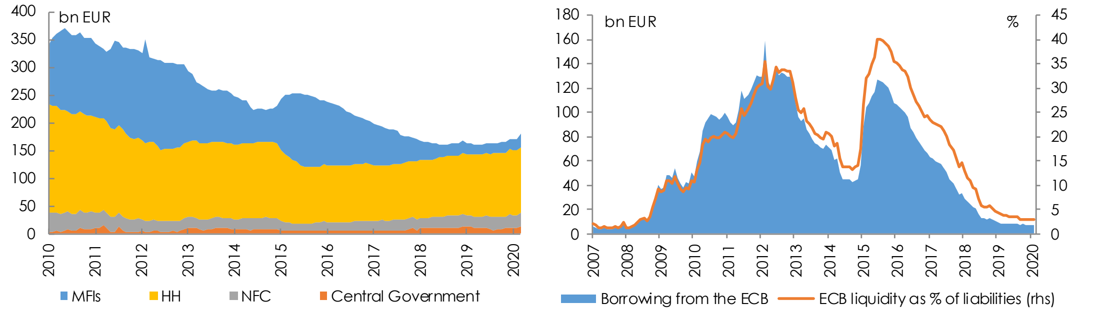
The flexibility announced by the supervisory authority will contribute to bank lending and mitigate the direct effect of the crisis on the quality of the banks' loan book. The 2020 EU-wide stress test exercise will be postponed to 2021, while planned supervisory activities, including on-site inspections, may be rescheduled or, in the case of remediation actions, their implementation deadline extended. Furthermore, the Single Supervision Mechanism will allow banks to operate temporarily below the level of capital defined by the Pillar 2 Guidance, the capital conservation buffer and the liquidity coverage ratio, freeing up capital and liquidity to finance the economy. Moreover, in order to avoid a spike in non-performing loans, the supervisory authority will exercise flexibility regarding the classification of loans in default and the treatment of state guaranteed loans granted in the context of the Coronavirus pandemic. In addition, criteria published by the European Banking Authority, allow public and private moratoria not to be automatically classified as forbearance measures, for the purposes of the International Financial Reporting Standard 9 and the definition of default.

Liquidity, after improving throughout 2019, has proven resilient so far, further supported by recent policy measures as announced by the European Central Bank. Bank deposits continued to moderately increase despite the challenges brought about by the Coronavirus pandemic, with normal seasonal fluctuations. Any strains across the repo market for all participants can be alleviated by Greek banks' access to Eurosystem monetary policy operations aimed to provide additional liquidity where needed. The temporary collateral easing measures taken by the European Central Bank on 7 April, and in particular the waiver to accept Greek sovereign debt instruments as collateral in Eurosystem credit operations, will allow Greek banks to increase liquidity from Eurosystem's refinancing operations to replace potentially increasingly expensive secured funding.

([22]) These transitional arrangements refer to the phasing in of the new International Financial Reporting Standard 9 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, as complemented by further supervisory guidance by the Single Supervisory Mechanism. In the medium-term, banks will also need to issue bail-inable debt in order to meet the minimum requirement for own funds and eligible liabilities set by the resolution authorities.

([23]) Deferred tax credits may be converted into tax credits, i.e. irrevocable claims towards the Greek state, while in exchange banks would need to issue equity in favour of the state.

Graph 6.1: **Bank deposits (left) and total borrowing from the Eurosystem (right)**

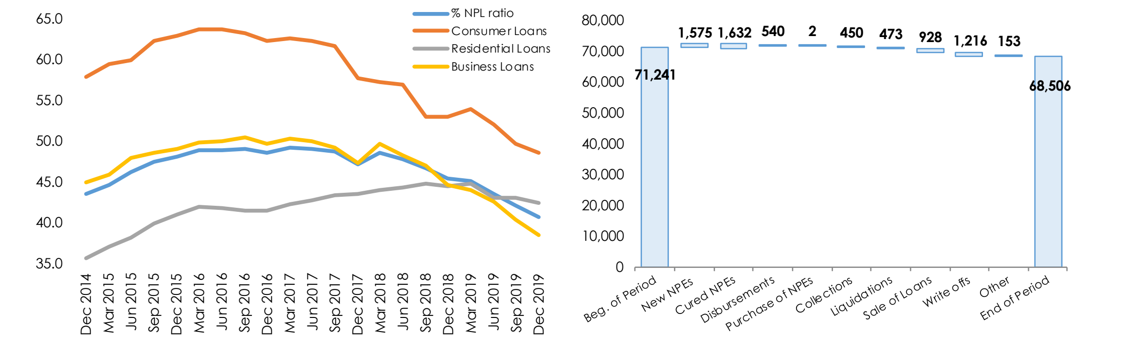


Source: European Central Bank, International Monetary Fund

The pace of reduction of non-performing loans accelerated in 2019 but their share remains high. The stock of non-performing loans at end-2019 reached €68.5 billion, down by €13.3 billion relative to one year before and €38.7 billion below the March 2016 peak. The main drivers of its decrease in 2019 were sales of non-performing loans worth €8.1 billion and €4.3 billion of write-offs ([24]). In particular, the total value of loans serviced by credit servicing firms increased by €3.4 billion in the fourth quarter of 2019 and stood at €23.5 billion ([25]). Despite this positive performance, the level of non-performing loans represented 40.6% of customer loans as of December 2019, the highest in the euro zone. Moreover, given the expected adverse impact of the Coronavirus outbreak on the secondary market for non-performing loans, there is even more pressure on banks to successfully restructure non-performing loans through internal procedures in order to maintain an improving trend in asset quality. A boost in the banks' internal capacity to viably restructure loans will also be crucial after the expiry of the current private moratoria announced for affected borrowers, as the crisis may gradually impact their currently performing loan book. This is an area where the banks' performance has been lacklustre so far, as evidenced by the fact that 37.3% of long-term restructurings and 66.5% of short-term restructurings become non-performing again only one quarter after the implementation of the arrangement. Nonetheless, it is encouraging that in the fourth quarter of 2019 the amounts of newly created non-performing loans fell again below the amount of 'cured' non-performing loans, i.e. the rate of non-performing loans for which repayments have re-started.

([24]) Source: Bank of Greece, Governor's Annual Report 2019.
([25]) Source: Bank of Greece "Statistics on loans serviced by Credit Servicing Firms (CSFs): Q4 2019".

Graph 6.2: **Non-performing loans as a % of total customer loans (left) and changes in their stock in the fourth quarter of 2019 (right: million EUR)**

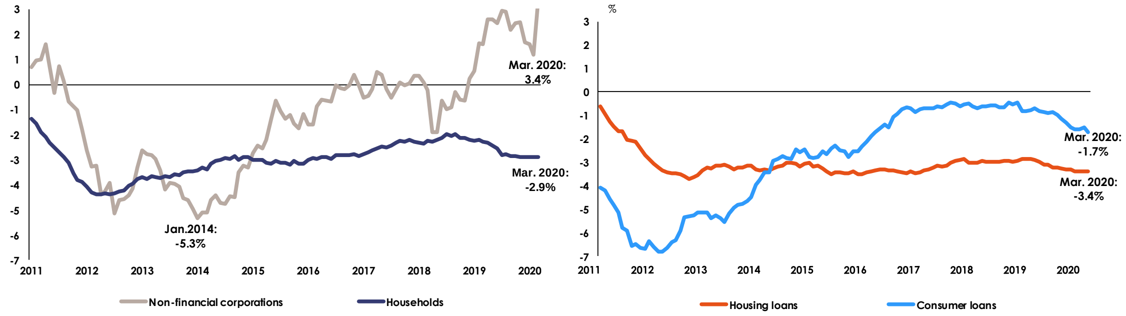


Source: Bank of Greece

The current economic shock is affecting banks' non-performing loans reduction strategies, which will need to be revised. Greek systemic banks have made use of the flexibility awarded to them by the supervisory authority and will submit their 2020 revised strategies to reduce non-performing loans six months later, i.e. in September 2020, in order to reflect the new status quo, once uncertainty related to the duration of the Coronavirus pandemic and its impact dissipates. Furthermore, the pace of implementation of the Hercules scheme will be impacted, as the risk profile of Greek non-performing loans has likely changed with the Coronavirus outbreak leading to reduced investor appetite and potentially increased costs for the participating banks. Notably, in case the Greek sovereign yields become more volatile this will affect the pricing of the guarantee provided under the scheme since it is linked to Greek sovereign credit default swaps. With the exception of Eurobank that is in the process of finalising the relevant securitisation transactions, the other three Greek systemic banks have indicated their intention to postpone temporarily their securitisation plans due to the current uncertainty. A reduced investor appetite is impacting also other important bad loan portfolio sales that had already been launched and have now been temporarily paused. Moreover, there is a concern that the already weakened payment culture will be further eroded by support measures introduced, such as loan moratoria, adversely affecting the willingness of non-performing borrowers to proceed to viable loan restructurings with the banks.

Net bank lending to non-financial corporations grew consistently in 2019, reaching in March 2020 the highest growth rate since September 2009, while credit growth to households remained negative. The rise in lending to non-financial enterprises that started in December 2018 (after seven years of contraction) moderated between December 2019 and February 2020. However, it accelerated markedly in March 2020, reflecting (i) firms' high liquidity needs in the context of the Coronavirus outbreak and (ii) the positive impact of the forceful public policies by both the Greek government and the European Central Bank to support the provision of emergency liquidity by banks. Taking a longer-time perspective, the positive credit growth to companies over the last one and a half years has been supported by declining credit risk and a generally declining average cost of funding and improved liquidity on the part of commercial banks. Loans to large corporates have been the driver behind this increase, bringing their share to total lending to non-financial corporation by 1.1%, to 46.8% in 2019. On the contrary, the aggregate net flow of credit financing to small and medium sized enterprises was still negative in 2019 ([26]), despite an increase in the availability of bank loans to small and medium sized enterprises signalled between October 2018 and September 2019 by the Survey on the Access to Finance of Enterprises. The growth rate of loans to households continued to remain negative in the same period, particularly for mortgage lending, without any sign of reversal of this negative trend (Graph 6.3).

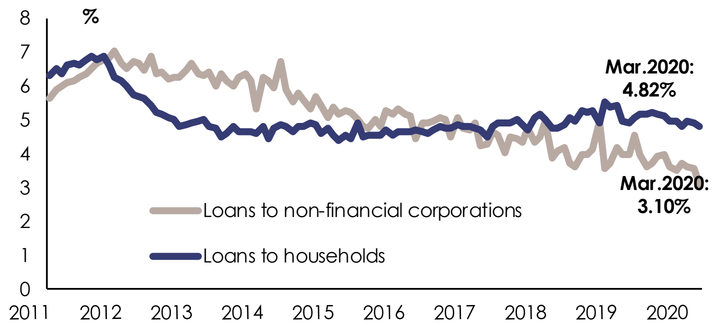
Graph 6.3: **Bank credit to non-financial corporations and households**



Source: Bank of Greece

Nominal lending rates to non-financial corporations have continued their downward trend, reaching a historical low in March 2020; those of households have also declined since the summer but remain somewhat above the minimum reached in 2015 (Graph 6.4). Like in other euro area countries, the decline in lending rates to non-financial corporations in March largely reflects the very accommodative monetary policy, as well as the various targeted measures geared to support the flow of credit to households and firms across the euro area. It is noteworthy that the most pronounced reduction in 2019 has been registered in the lending rates for small and medium sized companies, which fell by 0.29 compared to 2018, reaching 4.0% on average. This is largely thanks to the positive impact of ongoing initiatives funded by the European Investment Bank, as well as other similar public schemes supporting the financing of small and medium sized enterprises, which accounted for €2.2 billion, i.e. two thirds of the gross flow of new loans to these enterprises in 2019 ([27]).

Graph 6.4: **Bank interest rates on new loans**



Source: Bank of Greece

([26]) Source: Bank of Greece, Governor's Annual Report 2019, p.199.
([27]) Source: Bank of Greece, Governor's Annual Report 2019, p.194-195.

Nonetheless, when examined in real terms, the average real lending rate for non-financial corporations slightly went up to 3.4% in 2019, compared to 3.3% in 2018, although it was still substantially lower than the average real rate of 5.3% of the period 2011-2017. On the contrary, lending rates for households continue to be higher, with the average lending rate for households in March 2020 being 1.72 percentage points above the corresponding rate for corporations. More specifically, despite a smaller decline, lending rates for loans to households for house purchase remain lower than those applied on corporate loans, while lending rates applied on consumer credit remain at elevated levels. This divergence mainly reflects differences in credit risk developments. Rates on loans to households for house purchase declined less on account of persistently higher ratios of non-performing loans for these type of loans, and the adverse effect on cost of credit by the large amount of loans under legal protection (29.7% of all mortgage loans and 19.2% of all consumer loans).

6.2. FINANCIAL SECTOR POLICIES

The Coronavirus pandemic and the resulting containment measures will have an impact on the pace of ongoing and past reform initiatives. To alleviate the impact of the crisis on affected businesses and individuals, the authorities have initially extended the procedural and payment deadlines of existing debt settlement schemes for already submitted applications under the Household Insolvency law, the Primary Residence Protection law and the Out of Court Workout law, while they have also proceeded to extend the existing deadlines for the submission of new applications for the Primary Residence Protection law until end of July 2020. They are also contemplating extending the deadline for submission for new applications under the Out of Court Workout law. Moreover, trials before all jurisdictions (civil, penal and administrative) were temporarily suspended, from 13 March to 27 April 2020 due to the lockdown measures; as a result, all enforcement proceedings have been halted, including e-auctions (which would in any event have been cancelled as notaries have closed offices). Similarly, the operations of debt-collecting and debt-servicing agencies were suspended for as long as the confinement measures shall remain in force. All these measures hamper bank's efforts to reduce non-performing loans. At the same time, the lockdown measures currently applied may cause a delay in outsourcing procedures or other labour-intensive processes in the context of the action plan, related to the processing and payment of called state guarantees.

The Coronavirus pandemic has diverted resources at all levels of the public administration, limiting progress and resulting in delays in the advancement of financial sector reforms. Nevertheless, the authorities remain committed to harmonising the insolvency framework and to improving the existing tools for the resolution of non-performing loans. This is welcome as with the Coronavirus pandemic unfolding, an efficient insolvency framework is increasingly important. Given the delays accumulated in a number of areas, also on account of the current crisis, it will be important that the pace of reforms accelerates as soon as possible, in order to fully support the normalisation of the banking sector and the financing of the economy during the recovery. The actions outlined below are monitored and assessed under the enhanced surveillance framework, as part of the continuous specific commitment to *"continue to implement reforms aimed at restoring the health of the banking system, including resolution efforts for the non-performing loans"*.

Insolvency Law Reform

The authorities have advanced with the preparation of a new Insolvency Code. The new insolvency framework, integrating the corporate and personal insolvency regimes and transposing the provisions of Directive 1023/2019 ([28]), is currently at the stages of finalisation of the drafting, in consultation with stakeholders and the relevant law is expected to be adopted at the end of June and enter into force on 1 January 2021, whereupon the majority of the existing mechanisms for facilitating debt restructuring schemes will be repealed. In parallel, work on the necessary secondary legislation and the IT infrastructure envisaged by the draft law is being conducted so that the new framework will be fully operational upon the entry into force of the Code. During the time between adoption and entry into effect of the new law, the authorities also intend to provide training sessions to the stakeholders involved, most importantly to judges, who will be called to use the new electronic bankruptcy registry. Training sessions and awareness-raising initiatives will also be addressed to legal professionals, insolvency administrators and the public at large, as appropriate.

The main features of the new Insolvency Code are the following (for a more detailed description see Box 6.1):

Insolvency resolution proceedings are designed to address the debtor categories on the basis of the size of the bankruptcy estate, covering all kinds of business ventures (incorporated or not) as well as personal insolvency.

Pre-bankruptcy proceedings will be available (including an automated out of court process and a pre-insolvency business recovery process contingent to court ratification).

A special regime for the protection of the primary residence of eligible debtor is being examined, including additional protection for the vulnerable ones. This would purportedly entail the intervention of the state in order to acquire primary residences before the conclusion of the liquidation process and to lease them back to the debtors, as well as extending a housing allowance to those of them that will be defined as vulnerable. While similar schemes exist in other countries (such as Ireland), the proposal risks creating a significant involvement of the public sector in the real estate market as well as fiscal risks, calling for great prudence in advancing along these lines. The scheme as currently proposed would also raise issues around enforceability, targeting of scope/beneficiaries, and potential overlaps with other instruments.

([28]) Directive (EU) 2019/1023 of the European Parliament and of the Council of 20 June 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (OJ L 172).

Box 6.1: Insolvency code reform

The new insolvency code will comprise three parts on the following matters:

- *Business bankruptcy proceedings*, with separate processes customized for the needs of different categories of debtors based on the size of the property under bankruptcy rather than the legal form of the debtor.
- *Pre-insolvency proceedings*, including an automated Out-of-Court Workout process and a pre-insolvency business recovery process.
- *Protection of the primary residence of eligible individual debtors through a sale and leaseback scheme; vulnerable eligible debtors will receive a state subsidy covering part of the monthly rent*.

The code will also include ancillary provisions on the regulation of the insolvency administrator profession, the creation and operation of the electronic bankruptcy registry and transitional provisions in view of its entry into force.

Main features of the Code

- *Bigger bankruptcies will be conducted according to the ordinary bankruptcy process*, involving either the sale of the business or parts of it as a functional entity or a piecemeal liquidation of the debtor's assets through the use of an e-auction mechanism combined with an automated reserve price revision mechanism. The ordinary process will terminate following the lapse of five years after the declaration of bankruptcy.
- *Smaller bankruptcies* involving smaller enterprises and consumers will be subjected to a simplified process involving immediate liquidation of all assets. Its duration will be capped at 12 months.
- *Regarding interim protection*, the general rule will be that that the submission of a bankruptcy petition does not suspend enforcement by secured creditors. Two exceptions to this rule are foreseen: in the context of business bankruptcy, the exception concerns cases when the petition anticipates a sale of the business as a functional entity, supported by creditors; in the context of consumer bankruptcy, the exception applies in case of an option to protect an eligible prime residence under the sale and leaseback scheme.
- *Discharge* (i.e. liberation of the debtor vis-à-vis creditors with respect to any residual claims following liquidation) of physical persons or representatives of legal entities will ensue automatically upon completion of a fixed term absent the filing of objections by any creditor within said term.

Preventive proceedings

Out-of-Court Workout mechanism:

Individuals or legal entities may apply for an out-of-court settlement with financial institutions, the state and social security institutions. It will not include other creditors. Creditors may also initiate the process inviting the debtor to submit an application within 30 days. Following its filing, creditors will abstain from enforcement actions for a limited duration but no stay or court intervention will be provided. Rescheduling offers will mainly be elaborated on the basis of an formula that will take into account available data from financial institutions and the state and will be approved by a majority (in terms of value of claims) of creditors, and will be binding for all of them. Should the offer provide for a write-down of debt owed to the government and procedural safeguards are observed, the public creditors will be deemed to have accepted the offer.

(Continued on the next page)

Box (continued)

Pre-insolvency Business Recovery:

The business recovery process (pre-insolvency rehabilitation process) has been adjusted to take into account the requirements of Directive (EU) 1023/2019. It permits, in the event of a likely pending insolvency of the debtor, the restructuring of its assets, liabilities and business on the basis of an agreement with a qualified majority of its creditors, which will need to be ratified by the court. Mandatory restructuring of unsecured non-privileged creditors will be allowed under certain conditions. The process will allow for debt restructuring but also for the transfer of business and will provide for a mechanism to avoid resistance by shareholders.

Infrastructural considerations

The conduct of all bankruptcy proceedings will be based on an electronic registry that will ensure publicity of all actions, transparency and ease of communication between creditors, debtor, administrator, supervisory judge and the court and will be the single point of reference for all aspects of the proceedings. Out-of-court settlement applications will be filed digitally through the electronic platform.

Procedural simplifications

- *Bankruptcies of an ordinary size will be referred to district courts,* in tripartite bench formation; small scale bankruptcies will be referred to magistrate's courts.
- *The conduct of the proceedings will be either expedited or based on written submissions.*
- *Creditors will be called to announce their claims through the electronic platform concurrently (rather than prior) to the liquidation process*; contesting of announced claims process will be streamlined into one stage.
- *A number of court functions will be taken over by the supervisory judge*, who will issue orders without the need of a scheduled hearing; opportunities to raise objections with the court have been significantly reduced.

The authorities legislated a 3-month extension of the Primary Residence Protection scheme, which was due to expire in April, to the end of July. The decision to extend until 31 July 2020 was taken despite the limited appeal of the scheme, which was due to expire by end-April 2020, and reflected the difficulties faced by the applicants to timely apply due to the outbreak of the pandemic. No modification was introduced with respect to the loans admitted to the platform or to the eligibility criteria.

The authorities have also announced their intention to extend the application deadline for the Out-of-Court Workout until the end of July 2020. This extension has also been contemplated in the expectation of the authorities that more loan restructurings will be achieved, by accommodating applicants facing temporary difficulties in the application process due to the Coronavirus outbreak.

In order to alleviate the impact on social groups financially affected by the Coronavirus pandemic, the authorities announced a temporary instalment subsidy for mortgage, consumer and business loans secured by a primary residence ([29]). The mechanism, which will be distinct from the above-described sale-and-leaseback scheme under the insolvency code and will cover loans secured by a lien on their

([29]) The cost of the mortgage subsidy is not included in the Commission 2020 spring forecast because it was announced after its cut-off date of 23 April.

primary residence and will function for a limited period. The mechanism will be available to eligible physical persons (consumers, professionals and small business owners) and will cover performing loans, forborne non-performing exposures and non-performing exposures on the basis of a specific cut-off date. It will be available only to debtors affected by the pandemic. Eligibility will be determined through quantitative criteria relating to the family income of the recipient, the value of the property and the outstanding balance of the loan. The scheme will be open for applications for one month from 1 July 2020. A pre-requisite to the participation in the scheme will be that the concerned loans are restructured in agreement between the banks and debtors. The restructuring offer will be extended by the banks on a discretionary basis. Given the extended perimeter of the loans eligible for the scheme, it will be essential to include strong safeguards, including a subsidy clawback and a differentiated subsidy level, to ensure that only viable loans are restructured and to mitigate the negative impact on payment discipline.

Clearing the Backlog of Household Insolvency Cases

The authorities submitted an action plan and a corresponding legislative proposal for accelerating the clearance of the household insolvency backlog, which has increased further as a result of the suspension of court proceedings. The authorities committed to adopting the measures required for its implementation by end-May 2020, while asserting that an electronic platform for the replacement of distant hearing dates by ones closer to the present can be operational within 45 days from the adoption of legislation.

The main features of the action plan are the following:

The mandatory rescheduling to near dates, by electronic means, of cases with a hearing date beyond 1 January 2021. This is a necessary measure towards achieving the timely elimination of the backlog, given that a significant number of cases are scheduled to be heard on dates extending to several years ahead. To avoid procrastination as part of strategic default tactics, failure on the part of the petitioner to ask for a rescheduling within the term to be set by the law will be considered as a withdrawal of the petition.

The electronic service of documents to institutional creditors, the state and social security entities.

The replacement of live hearings in favour of trial in chambers, based on documentary evidence and notarized witness statements.

In cases where more than 50% of the creditors agree on a rescheduling plan, the judge will be empowered to ratify the agreement instead of issuing a decision.

Judges will be enabled to publish the operational part of the judgment prior to the full-text version, in order to facilitate credit institutions with the elaboration of instalment schedules.

The use of mediation as a tool for resolving cases.

The development of an e-platform for the rescheduling of distant hearings. The authorities are contemplating enhancing the functionality of the electronic platform by adding modules for e-notification to all parties to the proceedings who have electronic addresses, so as to minimize time and expense; also for uploading and distribution of the operative part of court decisions.

No data on the evolution of the backlog in the first quarter of 2020 were submitted by the authorities due to the Coronavirus outbreak. Once normality is restored, it will be important to secure the availability of reliable and granular data, covering the entire territory, as well as on the use by institutional creditors of the electronic platform for eligibility control.

Clearing the Backlog of Called State Guarantees

The authorities are taking steps that are considered feasible at the current juncture to implement the four-year action plan for the clearance of the backlog of called guarantees, which remains considerable. Examination and expected payments of claims for the first quarter of 2020 is proceeding according to the targets set under the action plan, while an amendment of the existing ministerial decision on the e-file repository, addressing previous shortcomings, has been adopted in early May. Additional six members of staff have been reallocated ahead of schedule, while the system ensuring interoperability with local tax offices is planned to become operational in June. However, the current lockdown measures already lead to holdups in the processing of claims, mainly due to reduced staff working on site, as well as a setback in the recruitment process of external personnel, while they may also affect the timing of relocation of the relevant Directorate to new building facilities.

The authorities intend to speed up to the extent possible the processing of claims in the second half of 2020 compared to targets set, while examining ways to frontload the payment schedule until 2023. The authorities agreed to prepare a revised processing and payment plan in June, taking stock of actions needed to counter delays that may have taken place due to the recent crisis as well as upgrading the targets set for the second half of 2020. Moreover, the authorities agreed to explore ways to frontload further the payment schedule for the next years, in order to increase the overall amount paid out until end-2023. An acceleration of the processing of claims already this year would be particularly beneficial as it would support the liquidity of the banking sector in the crisis period.

E-auctions

The conduct of e-auctions has halted as a result of the closure of the courts and notarial offices but work is ongoing on improving the process going forward. The conduct of auctions was already declining prior to the epidemic disruption. According to the data for the first quarter of 2020, 5,968 e-auctions had been uploaded to the e-platform up to mid-March 2020, against 6,416 in the first quarter of 2019, representing a 7% decrease. The number of e-auctions which were actually implemented (i.e. the notary conducted the auction) declined by 27.7% to 3,296. Regarding suspensions and unsuccessful auctions, i.e. auctions that did not lead to a sale, the available data for 2019 indicate that in 28% of the cases the auction is suspended due to repayment or an agreement on restructuring of the loan. In further 37% of the cases the auction is suspended due to other legal issues, and in 22% of the cases the suspension is due to pending applications under the Household Insolvency law. As for unsuccessful auctions, approximately 10% is due to a dispute on the initial reserve price between debtor and creditor. In conclusion, the conduct of an appreciable portion of auctions is being hindered by procedural impediments and inefficiencies.

To address this problem, the authorities presented an outline of amendments to the Code of Civil Procedure and proposals for enhancing the user-friendliness of the e-auctions platform. Following the completion of an ongoing investigation of international best practices in the relevant respects, the necessary legal amendments will be elaborated by the law-drafting committee for the revision of the Code of Civil Procedure which is due to conclude its work, accompanied by an explanatory report, by end-September 2020, rather than by end-March as originally foreseen.

Other initiatives

Following the submission of the inter-ministerial working group's conclusions regarding the implementation review of the Code of Civil Procedure, the authorities are working towards the adoption of the requisite targeted amendments. A ministerial decision for the appointment of a law-drafting committee has been issued ([30]) stipulating that the committee is due to conclude its work, accompanied by an explanatory report, by end-September 2020.

The authorities created a special department for magistrate's court judges, and are proceeding with work on the syllabus of the school for the provision of financial training to judges. The provisions on the creation of a special department for magistrate's court judges at the national school of judges are included in a bill of the Ministry of Justice due to be tabled in Parliament by end-May 2020. Regarding the inclusion of courses on financial subjects in the syllabus of the school, the authorities specified that such a decision is of the remit of the Director of Training of the National School for Judges, who has indicated her willingness to implement this measure, as of the beginning of the new academic year.

An adjustment of the legislative framework on deferred tax credits to ensure operational effectiveness is planned by the end of June. The aim is to clarify technical aspects related to the process of deferred tax credits' use, particularly in resolution, either via amendments of the primary legislation or via secondary legislation, as appropriate. Completing and implementing the relevant legislation is very important to help safeguard the loss-absorbing capacity of the banks' capital and can set out clearly other related procedural aspects, including on the possibility of sale of the State's right to acquire a credit institution's shares upon conversion to existing or new private shareholders.

6.3. HELLENIC FINANCIAL STABILITY FUND

In order to better assess and monitor the effects of the Coronavirus outbreak on the financial situation of the systemic banks, the Fund has engaged in additional initiatives on top of its ordinary tasks. The activity in the regular workstreams of the

([30]) Minister of Justice Decision 18229/Φ341 of 8 April 2020; publication in the OJ pending.

Fund has been overshadowed by the outbreak of the pandemic that necessitated it to strengthen its monitoring – and potentially other – roles within the current legal framework. These steps aim in particular that the Fund could (i) assess in depth the effects of the pandemic on the liquidity, asset quality (including non-performing exposures), profitability and capital of the systemic banks and (ii) effectively support these banks in their efforts to cope with the numerous operational and business challenges they are facing. 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 still remains to be finalized. Preserving the Fund's independence remains a cornerstone in the process toward restoring the health of the banking sector.

7. LABOUR AND PRODUCT MARKETS

7.1. LABOUR MARKET

In response to the Coronavirus outbreak the authorities undertook a set of measures to mitigate the impact on the labour market. These measures consist of the following:

increased legislated flexibility in terms of working time: employers are allowed to modify the working schedule of their personnel by decreasing their working hours up to 50%. In addition, following the closure of schools, a special parental leave is provided for working parents with children below 15 years of age, funded partially by the state (25%);

the temporary prohibition for employers to carry out dismissals, combined with a special lump-sum wage allowance of €800 and full coverage of social security contributions (for the period 1 March – 30 April) for employees of companies closed by public order, employees subject to a temporary contract suspension from their employers, and self-employed and individual enterprises (which employ up to 5 persons) affected from the outbreak. This measure concerns up to 1.7 million private sector employees and 500,000 self-employed.

the prolongation of unemployment benefits, initially by two months for those beneficiaries whose benefits expired during the first three months of the year 2020.

In total, in March 2020 there have been 42,000 net dismissals/job losses. This is much higher compared to March 2019 were there were 43,373 net hirings recorded and it is mainly due to 50% lower hirings compared to March 2019 (103,002 vs 202,157). Furthermore, 25.4% of dependent employment (i.e. more than 1 million employees) have been suspended. The percentages of suspended workers are the highest in the sectors of accommodation (94.2%), sports (90.2%), education (89.9%), catering (89.6%), gambling (87%) and provision of personal services (75.2%).

To mitigate this trend, in addition to the measures already taken and the special wage allowance, the authorities are considering to implement a new temporary short-time work scheme, covering manufacturing, transport, tourism and food services, and providing considerable flexibility to companies for adjusting working hours whilst workers receive partial compensation for the hours not worked. The details have yet to be finalised but the compensation rate will be on the basis of a pro-rated percentage of wages paid directly to the workers involved. There will be a requirement for firms benefiting from this scheme to maintain employment post-crisis. The authorities will consider whether this scheme can be continued further in the year. The decision will be based on fiscal costs. The scheme can benefit from the disbursement of funds through the new European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE), once the latter will be adopted (the same applies to the special wage allowance).

The authorities have completed the implementation of the 2017-2019 action plan to fight undeclared work, an end-2019 specific commitment, and will now implement a follow-up plan. The 2017-2019 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. A road map for the follow-up action plan is expected to be adopted shortly.

In light of the Coronavirus outbreak and the extraordinary challenges it poses, the authorities have decided in agreement with the social partners to postpone the update of the minimum wage from June 2020 to January 2021. Currently, around 14% of workers in Greece earn the minimum wage. Younger workers are over twice more likely to earn the minimum wage and this share increased by 33 percentage points after the 2019 update, which abolished the sub-minimum wage for the youth. According to the findings of the preliminary impact assessment conducted in 2019 by the World Bank, there is no evidence that employment and unemployment in sectors with a high share of minimum wage workers has changed relative to sectors employing higher wage workers. Nevertheless, these preliminary findings of the analysis are limited due to the short time frame, the lack of micro data and the information gap regarding a potential shift to undeclared work and the shadow economy.

Greece has made a continuous commitment to safeguard competitiveness through an annual update of the minimum wage in line with the provisions of Law 4172/2012. According to the timeline established therein, the government should determine the new level of the minimum wage in June 2020 following consultations with social partners and recommendations by an independent expert committee. However, the unprecedented Coronavirus outbreak is impeding social partners and scientific bodies from convening and proceeding with the consultation process. All the actors involved in the process have therefore requested the Government to postpone the minimum wage update and according to new legislation passed on 1 May 2020, this has been postponed to January 2021. Given the way the Coronavirus outbreak is unfolding, this postponement is reasonable. The procedure that started in February 2020 and has been suspended will remain the same, but it will only resume at the end of September 2020. All social partners and scientific bodies have to submit their analyses and contributions by 31 October 2020. The Committee of experts has to issue a recommendation by 31 December and the procedure will be completed the second fortnight of January 2021, when the Minister of Labour will issue the new minimum wage level, based on the aforementioned recommendation. For the same reason, the pending secondary legislation on collective labour agreements (due in April 2020) will be postponed by one month (expected to be adopted shortly).

Education

The Greek authorities have embarked on an ambitious agenda for comprehensive education reform. The government's programme regarding education focuses on enhancing the quality of public schools, upgrading vocational education, training, and improving the quality of higher education institutions to address the skills gap. However, the Coronavirus outbreak has delayed the adoption of major bills.

The Ministry of Education has responded quickly and effectively to the crisis. The schools closed on 10 March and remote education was rapidly set-up. Together with the Ministry of Digital Governance an agreement was reached with telecommunication providers for cost free internet access from mobile phones to official digital learning platforms used for distance learning. This measure was crucial for widening access to distance learning and providing equal access to IT infrastructure and internet, to students and teachers alike including for disadvantaged learners. While younger students receive education material primarily through email or websites and follow education sessions on TV, secondary students follow real-time lessons provided through private and public sources. Capacity problems of the online school network due to the sudden large demand are being addressed and schools have been asked to identify and report to the Ministry additional needs for IT equipment. In higher education, the percentage of courses that switched to digital has reached 96.5%. The remaining 3.5% are laboratories that cannot not be delivered remotely. For digital learning to be effective also beyond the crisis, it will be important to invest in developing teachers' and trainers' competences in using IT tools.

A major education bill was submitted to public consultation on 22 April. The proposed reforms in line with the authorities' reform programme, include for primary and secondary education an increase in teaching of foreign languages, IT and physical exercise as well as the development of soft skills; the expansion of model schools; teacher training and internal and external evaluation of school units. The bill has also some provisions related to tertiary education which include a more transparent system for the election of rectors, and most importantly, the possibility for Greek universities to introduce bachelor level degrees in foreign languages, joint and dual degrees between Greek and foreign universities, summer courses and measures to attract foreign students. The bill is expected to be brought to Parliament shortly.

7.2. PRODUCT MARKETS AND COMPETITIVENESS

The authorities continue working towards improving economic framework conditions and boosting competitiveness, despite the shifting priorities and difficulties faced due to the Coronavirus outbreak. This will be crucial in order to ensure that the Greek economy exits from the current situation on a strong footing and will be able to generate a strong and sustainable recovery, inter alia, by reducing the reliance on tourism and finding new sources of growth. Inevitably and appropriately, significant resources have been diverted towards addressing the pandemic. On the digital front, priority was attached to the setting up of remote working systems and electronic transaction applications. The immediate attention of economic diplomacy actors focused on ensuring adequacy of imports of medical supplies and medicine, and providing information to affected businesses. Further, staffing constraints and the reduced parliamentary activity implied slowed-down progress on areas dependent on the outputs of inter-ministerial working groups or the adoption of legislation, such as the simplification of licensing legislation. Nonetheless, the authorities remain poised to advance improvements in these areas, and committed to undertake a number of complementary actions. Moreover, they committed to adopt a new public procurement strategy for 2021-2025 by end-2020. A well-functioning public procurement framework would help guarantee a competitive business environment, with positive spillovers on the digital reform agenda, and will thus be crucial for the recovery (see section 3.5).

Digital Governance

The authorities have progressed with the implementation of an impressive set of digital initiatives in a limited amount of time, enabling, among others, continuity in certain business-state transactions. Key initiatives included the early launch of a pilot for more than 500 electronic services offered through the gov.gr unified platform, and the provision of remote access to critical government services. Further, the authorities swiftly set up a digital platform to manage the submission of applications for financial assistance to businesses to combat the effects of the pandemic. In parallel, work on improving the digital performance of the economy as a whole continues, which is expected to contribute to boosting productivity in the private sector. Moreover, the authorities have committed to delivering a number of complementary actions by end-2021 to further ease the administrative burden, amongst others, for businesses, and to implement a new digital tool by end-2021 to provide clarity to investors in relation to land use rules across Greece. These are expected to further contribute to the creation of a simplified and predictable framework for electronic transactions between businesses and the state, and a transparent set of rules for the development of investment projects (see Box 9.1).

Economic Diplomacy

The focus of administrative entities involved in the area of economic diplomacy and trade facilitation shifted towards tackling the Coronavirus outbreak, however work is overall progressing on a number of fronts. Specifically, albeit with a delay, the legislation enlarging the mandate and responsibilities of the Ministry of Foreign Affairs on economic diplomacy is expected to be finalised shortly, with a view to consolidating all relevant policies and tools under a single roof and create synergies. The new strategic plan on economic diplomacy is also expected to be finalised soon, which will incorporate new short-term priorities, such as safeguarding import routes for key products, supporting the development of e-commerce and e-marketing tools for businesses, and providing guidance to businesses in the recovery period. In parallel, with the help of technical support provided by the European Commission, the authorities are preparing an elaborate mid-term strategy for 2021-2023, including a reporting framework on key performance indicators. Further, the authorities completed the tender specifications for the integrated Single Window system for imports and exports, though the launch of the tender will be postponed until the pandemic has subsided. Such actions are expected to significantly contribute to the continued efforts to rebalancing the economy towards tradable sectors, as well as to support the recovery. To this end, it would be necessary to swiftly proceed with the adoption of legislation on the new mandate of the Ministry of Foreign Affairs and the establishment of the new governance structures for inter-ministerial coordination on trade facilitation to ensure effective oversight and coordination under the said Ministry across all involved government services.

Investment Licensing

Work on investment licensing is progressing across a number of fronts, despite delays caused by factors mostly outside the authorities' control. The authorities remain committed to completing, to the extent possible, reform elements within the commitment deadlines. In this context, work continues across government services under the coordination and monitoring of the responsible Better Regulation Delivery Directorate, and with the help of further technical support provided by the European Commission, delivered through the World Bank. In order to safeguard reform continuity, full alignment of all future legislation with the principles of the investment licensing framework is needed. To this end, continuous efforts to ensure effective inter-ministerial coordination would be crucial, amongst others via the implementation of the good law-making provisions stipulated in the Executive State Law ([31]) and elaborated in the recently adopted legislative methodology manual that will be used by the whole administration (see section 9.1).

Regarding the full deployment of the relevant IT system to support the investment licensing framework (an end-2019 specific commitment), a further complication arose in the tender process for the procurement of this system. A request for the enforcement of suspension measures is pending before the Athens Administrative Court of Appeal since April 2020, and a decision is expected to be issued shortly. For the moment, this complication brought the process for awarding the contract to a halt. Whilst this outturn of events is outside the authorities' control, it endangers the prospects of the licensing reform in general, as the full and effective deployment of reform elements is dependent on the availability of this digital infrastructure.

Work on the implementation of the inspections framework law, a mid-2020 specific commitment, is progressing, though in some areas more slowly than expected. A number of tools relating to the food safety domain were adopted, ahead of the revised June 2020 timeline. With respect to the enforcement management model for this area, as expected, the amendment of legislation on sanctions is likely to face some delays. Work in the environmental protection domain is advancing at a slower pace than expected, with most tools, which were due by April 2020, remaining pending. Dedicating adequate resources would thus be important to complete this part of the reform. As regards the product safety domain, the authorities aim to develop the relevant tools with the help of a technical advisor by June 2020, in line with the revised timeline. Moreover, the authorities are drafting enabling legislation to define the responsible inspection authorities for each domain by June 2020, with a view to operationalise the relevant provision of the Inspections Law 4512/2018.

The extension of simplification of the investment licencing procedures in the remaining sectors of the economy (a mid-2020 specific commitment) is progressing, inevitably, with some delay. The authorities have drafted primary and secondary legislation for the simplification of the primary production sector, though adoption has been delayed due to the prioritisation of other legislation submitted to parliament. A greater scope for simplification would be beneficial to businesses in this sector, supported by the full deployment of a robust and comprehensive inspections system, which is expected to reduce necessity for ex-ante control without compromising on health and safety. With respect to the transport sector, the first deliverable –the mapping of economic activities- was completed, and the authorities aim to develop proposals for simplification shortly, i.e. with a slight delay compared to the revised end-April timeline. Regarding the post-secondary education and vocational training

([31]) OJ A 133/2019.08.07.

sectors, the authorities concluded the mapping of economic activities, with the intention to develop proposals for simplification by end-June 2020.

The authorities aim at concluding the revision of the nuisance classification by mid-2020, well ahead of the mid-2021 specific commitment deadline. Work is progressing with the help of a technical advisor, on track with the revised action plan, with a view to issue the relevant Joint Ministerial Decision by mid-2020, as per the relevant provision adopted in the Development Law of October 2019. The next deliverable concerns the specification and implementation of the methodology for the categorisation of activities, which is expected to be completed shortly. Social partners continue to be involved in the process, which is considered highly beneficial to this reform area.

The implementation of all key programme reforms, which is an ongoing commitment, continues. With respect to environmental licensing, the authorities recently adopted legislation ([32]) to improve the environmental permit process. Key elements include extending the permit duration, shortening the processing deadlines and strengthening the role of intervention mechanisms in the of case of delays in the submission of opinions by relevant services, rationalising the requirements for permit renewal and amendment, in addition to widening the scope for involving external environmental assessors and for carrying out steps digitally in the permit process. The authorities also expect to finalise secondary legislation for the certification of external environmental assessors shortly, which has been pending since the ESM programme, whilst they are also working towards upgrading the environmental registry. In relation to the inspections framework, work on secondary legislation for the certification of external inspectors is ongoing, with the drafting of the relevant presidential decree expected by mid-2020, as compared to the initial timeline of March 2020. Further, with a view to streamlining the administrative burden on producers and buyers of milk, the authorities undertook to review and amend, as necessary, secondary legislation on measures to control the milk market ([33]) by September 2020.

Better regulation

With a view to further improving the business environment, the authorities are pursuing complementary actions to cut red tape, help establish clear rules for government-to-business interactions, and increase the predictability of economic transactions. With the help of technical support provided by the European Commission, delivered by the World Bank, the authorities aim to improve Greece's performance in relation to the Word Bank's Doing Business indicators ([34]), including on areas in which the country has been consistently underperforming, such as contract enforcement, resolving insolvency, and registering property. In parallel, the authorities are working towards identifying problems and improving all remaining indicators not

([32]) OJ A 92/2020.05.07.

([33]) This refers to a Joint Ministerial Decision issued by the Ministry of Finance and the Ministry of Agricultural Development and Food on 21 March 2019.

([34]) The indicators covered through technical support relate to the areas of construction permits, obtaining access to electricity, registering property, resolving insolvency, accessing credit, protecting minority investors, contracting with the government, and enforcing contracts.

included in the scope of this project ([35]). To this end, they prioritised a number of actions to be implemented by June 2020. Specifically, these include actions to introduce the electronic submission of documents (except in the case of notarial deeds) to the general commercial registry (GEMI) for certain categories of firms, and to effectively enforce the use of the e-business stamp when starting a business. Priority actions also include legislative improvements in relation to the governance of listed companies to protect minority investors. In addition, the authorities are working towards a detailed action plan, due by June 2020, to include deliverables over the short- and mid-term across all areas. These initiatives are expected to help bring Greece's performance closer to the OECD high-income country average, but also to accommodate the objectives of the new Growth Strategy that is underway.

Cadastre

The Coronavirus outbreak has affected the cadastre project, and some slippages of the recently updated roadmap are to be expected if the crisis persists. The expression of interest for Deputy General Managers has been published on 3 April 2020. The length of the process depends on the number of candidates, but it should be possible to complete it by end-May 2020 or shortly thereafter. The preparation of the Corporate Strategy – a milestone for June 2020 - is progressing. Cooperation with the World Bank continues remotely. Draft technical specifications for the archive digitalization strategy have been prepared and the Hellenic Cadastre has submitted to the European institutions a note summarising the key steps and the envisaged digitalisation strategy. The objective is to create a central database that contains all documents (property rights, mortgages, court decisions affecting the legal status of a property, indexes, personal data etc.) currently distributed in analogue form in cadastre and mortgage offices along with all software applications that will allow interested parties (professionals, agencies, citizens) to search and remotely retrieve information. The award of the final five contracts that was delayed due to judicial proceedings is progressing. The contract for Rethymnon will be signed in May 2020. The remaining four contracts (Chania/Heraklion/Thesprotia-Kerkira and Cyclades) are expected to be signed by July 2020.

An issue that has not been resolved is that of the recruitment of staff. It concerns 49 staff for the migration team, a team needed to put in place the transition from the mortgage offices to the cadastral offices, the return of the lawyers and the launching of the recruitment of long-term staff. Provisions for the recruitment of staff have been included in the bill of the Ministry of Environment that was adopted on 5 May 2020.

The public presentation of all remaining forest maps scheduled to start on January 2020 and to be gradually completed by June 2020 has been frozen. The reasoning behind the freezing is to adopt legislation that would address problems with building concentrations and other uses in presumably forest land where the Council of State had judged that they should be included in the maps. The maps essentially depict the situation according to the existing legislation and the Greek constitution. The maps give a clear overview to the political leadership of existing problems, and what legislative changes are needed. In that sense, the 170,000 objections that were raised are

([35]) These relate to the areas of starting a business, paying taxes, and trading across borders.

not excessive, compared to the millions of plots that did not raise objectives. The European institutions encouraged the authorities to proceed with the uploading and partial ratification of the maps to cover the whole of Greece (already 50% is covered) and continue in parallel to address problematic areas, correct errors and complete the maps gradually. It is estimated that an area of the order of 5% of the surface of Greece would fall in this category. The delays in the uploading of the maps will have an impact on the completion of the cadastral mapping as a whole.

The Coronavirus outbreak is delaying the establishment of 17 Cadastral Offices and branches substantially. As travels have been banned, training cannot be implemented. The openings of two new cadastral offices that we were planned for 9 April and 30 have been cancelled.

Energy

The Coronavirus outbreak has had an impact on the Greek energy sector, with lower oil and gas prices, with social distancing measures affecting demand patterns and certain technical projects; it has also caused a liquidity problem for market actors given a slowdown in payment of bills. Nonetheless, Greece managed to progress with several reforms, notably launching the forward market for energy under the target model, and has kept its mid-to-long term plans intact, particularly regarding its lignite decommissioning plan. However, challenges are reported in progressing with some technical work related to the balancing market, which are currently under assessment regarding their impact on the overall timing for the go-live of the target model. Regarding the liquidity problem for energy providers, the authorities have taken measures to try to stem its impact. The Renewable Energy Sources Special Account has come under particular strain due to market changes affecting its revenues.

Discussions continue on the specifics of the anti-trust remedy, with the aim of presenting a market-testable proposal, a key step in finally implementing the remedy and closing this end-2020 commitment. The revised remedy proposal envisages the possibility for PPC's competitors to access a certain share of PPC's generation. This share would be dynamically linked to the decommissioning of lignite plants in Greece. Some improvements are being discussed so as to allow the Commission to carry out a market test with stakeholders, a key step in view of finally implementing the remedy and closing this case. In particular, improvements are sought in terms of ensuring that (i) there is a transparent selection process; (ii) smaller players in the Greek retail market can access the power sold through the remedy; (iii) a detailed implementation mechanism, with direct involvement of the Greek Government, is in place for the mechanism.

The second quarter of 2020 saw Greece launch the forward market for electricity, with the first trades coming soon after. Based on a proposal of the authorities to make up for the cancellation of the final NOME auction round, the forward market was launched on 28 March, with trades taking place soon after. The delivery of this project is an important step and was completed under difficult circumstances, and was an additional work stream on top of the preparation of the spot markets for the target model. So far, the derivatives market offers only products with financial settlement. Its development alongside the target model and anti-trust remedy will be closely observed.

The work on the implementation of the Target Model (a rescheduled mid-2020 specific commitment) for the local electricity day-ahead, intra-day and balancing markets planned for the second quarter of 2020 is ongoing. Considerable progress has been made at technical level regarding IT system development. As far as the spot markets (intra-day and ahead) are concerned, the work has been running to schedule and the IT work has almost been completed. The technical readiness of the new balancing market is encountering challenges related to contractors' difficulties in deploying staff as a result of the containment measures, which may cause slight delays to the go-live. The exact new timeline and mitigation measures are under assessment by the Greek authorities in cooperation with the Greek Transmission System Operator and related contractors. From the regulatory point of view, the removal of price caps other than EU-harmonised technical limits is a welcome step. Regarding the readiness for market coupling with neighbouring markets, local technical readiness and coordination with the pan-EU projects are necessary conditions. There are some external risk factors regarding the completion of market coupling in 2020, again related to the Coronavirus outbreak, but nonetheless significant steps have been taken in this regard and discussions with the counterparties are intense.

Legislative work on establishing the relevant framework of rules is planned to continue as scheduled in order to deliver on time; the national energy regulator will play a very important role here. The day-ahead, intraday and balancing clearing rules are been developed to ensure liquidity and manage counter-party risk, which should encourage wider participation. A number of technical codes and implementing decisions are still under approval or review by the energy regulator based on the agreed timeline. The regulator's monitoring mechanism before the go-live to allow the regulator to properly monitor anticompetitive behaviours from the outset of the new markets and strengthen the trust of the market participants. Overall, progress has been positive and Greece could be able to implement a new electricity market model by the third quarter of 2020.

The Coronavirus outbreak has exacerbated the long-standing problem of widespread non-payments in the electricity market. Initial estimates are that liquidity issues will affect all players on the market, despite the fact that initial demand for electricity has not been seen to drop significantly. While some methods of payment, such as physically paying at a counter, have been cut off due to social restrictions, many customers are now accustomed to paying through electronic bank transfers and thus should be able to make the transactions. The Public Power Company has been increasing its numbers of customers joining e-billing schemes. As of end-March ([36]), The Public Power Company's retail market share stood at 69.6%, around the level of November 2019 but still continuing the longer-term downward trend. Regarding the company's arrears, further parts of these arrears have been categorised as allocated to 'non-active customers', i.e. those no longer with the company, but the overall stock is stable whilst the company focuses on stopping new arrears systematically accumulating. So far, some measures have been taken to support the sector regarding strains on bill payments resulting from the outbreak. This includes bank guarantees to support loans to

([36]) Energy Exchange Group Monthly wholesale and retail penetration and market share report, February 2020: http://www.enexgroup.gr/fileadmin/groups/EDSHE/FEP/MonthlyReports/FEPAS_MonthlyReport_202002_EN_V01.pdf.

companies, including energy providers, as vital liquidity provision taken as an economy-wide action that includes energy. A more specific measure for the sector was also made available, allowing energy companies to pay a share of their regulated tariffs in instalments.

Greece has taken first steps in implementing its ambitious lignite decommissioning plan, with the establishment of an inter-ministerial committee to examine the transition at national and regional level, with 2020 the date for the first plant closures. Focus on the regions most affected and handling the associated socio-economic challenges will be key in delivering a just transition that will have public backing. Greece is preparing a 'master plan' looking at the issue at a national level and from a variety of angles, as well as developing specific plans for the key regions and municipalities, namely Western Macedonia and Megalopolis. EU funds, particularly under the Just Transition Mechanism in line with the Commission's Green Deal, could contribute to the necessary investments in transforming regions, an issue which is covered in more depth in the Commission 2020 Country Report for Greece ([37]). As part of support provided by the European Commission, the World Bank is preparing a road map for the planning, design and implementation of the economic and energy transition of Western Macedonia, which could feed into the Greek Territorial Just Transition Plan that will be developed. From a more energy-oriented perspective, Greece will need to prepare for the removal of lignite capacity through replacement generation of gas and renewables, as its National Energy and Climate Plan makes clear.

Greece's National Energy and Climate Plan is currently under review by the European Commission. The Commission is assessing the final Plans of all Member States and will issue an EU-wide as well as a country-specific assessment later this year in line with Governance Regulation. The Commission will assess all Member States' contributions to see how far these will help delivering the Union's energy and climate objectives and in particular the Union's 2030 goals for emissions reduction, energy efficiency and renewable energy. In particular for Greece, the new ambition for early decommissioning of lignite and the other ambitious objectives will be assessed in terms of the challenges to be addressed in the coming years.

The final 2019 figures for the Renewable Energy Sources Special Account showed it ending in surplus (a continuous commitment) but 2020 brings substantial risks. Funded by revenues from the market, maintaining the account in surplus is key for supporting renewables projects. A lower market price on the energy system price and reduced EU emissions trading prices have had large negative effects on revenues, while expected reduction in demand due to the Coronavirus outbreak will put further strain on inflows. However, the authorities are committed to ensure that the account remains in surplus and will discuss necessary steps to ensure this with the renewable energy market operator, who recently prepared an updated report of the account ([38]). A loan will also be granted to the operator with the purpose of supporting the account, while the special levy ([39]) is expected to remain the key instrument to ensure the long-term viability of the

([37]) https://ec.europa.eu/info/files/2020-european-semester-country-report-greece_en.
([38]) http://www.lagie.gr/fileadmin/groups/EDSHE/MiniaiaDeltiaEL/01_JAN_DELTIO_ELAPE_v1.0_03.04.2020.pdf.
([39]) Special Duty of Greenhouse Gas Emissions Reduction (ETMEAR).

account. The renewables auction of April [40] went ahead as planned through online systems. Low prices were observed, though take-up of the available quantities was high. The authorities have indicated their intentions to continue the auction system.

The adoption [41] of an environmental law aimed at improving the process for setting up and developing renewable energy projects is a welcome step. Key provisions include the creation of a renewable energy production certificate to ease the establishment of projects, as well as efforts to help prevent a freeze in ongoing projects. Further details on environmental licensing provisions are given in the licensing chapter of this report. Given the various wider issues involved with renewable energy projects, particularly in Natura 2000-protected areas, attempts to improve coordination and to give the Ministry of Energy more oversight could also help prevent projects stalling.

Regarding gas markets, there was progress with regulatory developments. This included the settling of an outstanding issue related to the return of grid fees to industrial customers and the energy regulator's decision on the methodology for operator premiums, with the decision expected to be published end of May**.** Such developments took place in the context of Expressions of Interest being submitted for the DEPA Commercial and DEPA Infrastructure tenders. Further details of the transaction are covered in the privatisation section of this report.

Transport and Logistics

The drop in external demand and lower domestic demand, the disruption of global supply chains and the effects of the travel restrictions lead to a strong decline in the transport and logistics sector. The transport sector accounted for 42% of service exports in 2019 and is manly focused on shipping. With the closure of international ports and restrictions on travel for crew members as well as the expected significant drop in global trade and disruption of international supply chains, the transport industry is expected to be strongly affected in 2020. The impact on domestic transport is expected to be concentrated in the months of the strict containment measures and to decline as the containment measures are lifted. The effect of the slowdown in trade on shipping depends more on the containment measures taken internationally and the overall economic impact of the Coronavirus pandemic.

The authorities have adopted the National Transport Master Plan in September 2019 and are proceeding to its further specification at regional level. The Plan was developed with technical support provided through s the European Commission. The Ministry of Infrastructure and Transport prepares further specification of the Transport Plan at regional level, in consultation with stakeholders, in order to fulfil the associated enabling condition of the upcoming structural funds programming period for comprehensive transport planning and introduce a pipeline of projects for the next programming period.

The key railway investment projects continue to face a substantial delay. The planning was to commit €1.2-1.4 billion from the 2014-20 transport and

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([40]) http://www.rae.gr/site/categories_new/about_rae/factsheets/2020/maj/0204_4.csp.
([41]) OJ A 92/2020.05.07.

environment operational programme, but in practice the commitments so far did not exceed €200 million. The delays concern ongoing and planned railway projects and the new Athens metro line 4. These delays contribute to the under-performance of the public investment budget. The authorities have set up a committee with the participation of the European Commission to rationalize the way that railway projects are delivered and to make proposals for new projects covering both the current programming period and the period 2021-27. Out of these, three to four projects will be funded under the current operational programme with a value of 300-€400 million. At the beginning of 2021 the signalling upgrade of the Athens-Thessaloniki section will be delivered, and the train running time from Athens to Thessaloniki will be reduced to 3-3½ hours. The procedure for line 4 of the Athens metro is progressing. The decision of the Council of State is awaited, but the project will be transferred to the programming period 2021-27.

Regarding the Urban Transport of Thessaloniki (OASTH), a concession contract with the joint-venture of regional transport (KTEL) has been approved. Under this agreement, the KTEL will operate bus lines peripheral to the city and thereby increase the capacity of the public transport in Thessaloniki by 100 buses. At the same time, an additional number of buses is being procured by leasing and a tender for purchase of new buses in preparation.

By June 2020, OASTH will adopt a strategic plan for its future reform, integrating also the Thessaloniki metro. Regarding income from sales, the revenues increased from €24 million in 2018 to about €28 million in 2019. However, since then the demand has collapsed due to the current restrictions in movement. The balance sheet for the year 2019, still in draft form, was submitted to the Institutions demonstrating substantial deficit in the company's balance sheet, addressed with state transfers. The strategic plan is expected to include the company's transformation plan and cost containment measures.

The logistics sector has suffered significantly from the Coronavirus outbreak, as transport has decreased massively, with the exception for food and medicine. In mid-March the authorities established an inter-ministerial committee for the implementation of the action plan for logistics, which had been adopted in 2017. Given the current circumstances, the committee is dealing primarily with issues related to the current effects of the Coronavirus outbreak.

Some progress has been made regarding the opening of Thriassio logistics complex. Once fully operational, this investment – co-financed with EU funds – could give a big boost to rail freight and the overall competitiveness of the country. The concession contract for the private freight centre has not been activated as the contract was signed without the competition clearance by the Commission. The tender for the management and operation of the park of 1,450 hectares is severely delayed. The Commission has started the procedures for recovering EU structural funds.

Water and environment

Progress with implementation of the information system to monitor the performance of water companies throughout the country has been gradual and slow. For the purposes of monitoring and improving water services for all uses, a website of the Ministry of the Environment and Energy is operational since January 2019, whereby the water service providers (water supply and sewerage companies (DEYA), municipalities, irrigation associations and other water providers) are required annually to enter data relating to their activity in the system. During the first year of operation of the IT system, the authorities have taken steps to induce water providers to populate the database, but the containment measures have set some limitations to the actions that the competent authorities can take. Nevertheless, the number of utilities that are using the IT system is steadily increasing, with about half of the water suppliers having uploaded data for 2017 and 2018 so far. While the water providers are expected to prepare comprehensive reports by this summer, the authorities are preparing legislation to help accelerate implementation, including through sanctions for breaching reporting requirements. In this respect, the fragmentation of responsibilities among three Ministries (environment, interior, rural affairs) has arguably impeded the functioning of the framework.

The Ministry of Environment has started preparing the enabling conditions for the new programming period. Six regional sewerage plans have been prepared and seven are under preparation, while a team has been set up to prepare regional plans for water supply. Finally, a legislative provision will be included in the next bill of the Ministry of Environment allowing to subsidise the private connections of the sewerage system.

8. HELLENIC CORPORATION OF ASSETS AND PARTICIPATIONS (HCAP) AND PRIVATISATION

8.1. HELLENIC CORPORATION OF ASSETS AND PARTICIPATIONS

Inevitably, the Coronavirus pandemic has affected the functioning of the Corporation and its portfolio companies and has led to adjustments and/or change of priorities for the Corporation as well as to unavoidable adjustments of the schedule of part of Greece's commitments.

Updated Ministerial Guidance, which is needed for the continued implementation of the Corporation's strategic plan (a continuous commitment), will be delayed until the impact of the Coronavirus pandemic can be assessed. The authorities had expected to provide updated Ministerial Guidance to the Corporation during the first quarter of 2020 and had developed the content of this guidance, but its continued appropriateness will need to be reviewed in light of the Coronavirus pandemic and therefore the release of this guidance will be postponed.

The Corporation's planned update to its business plan will also be delayed until the impact of the Coronavirus pandemic can be assessed. The Corporation's management had prepared an update of the Business Plan for the period 2020-2022 as well as key performance indicators for 2020 for the subsidiaries within the framework of the implementation of the strategic plan. However, under the current unprecedented circumstances, the updated business plan for 2020-2022 can only be finalised once more accurate estimates of the financial impact of the Coronavirus pandemic are possible. This will include assessing the effect of the pandemic on key performance indicators for the direct and other subsidiaries.

Similar considerations apply to the implementation of the Coordination Mechanism. The mandates of the state-owned enterprises were finalised during February and approved by the Cabinet Committee on 12 March. The next step in the implementation of the coordination mechanism is the preparation of a statement of commitments regarding each state-owned enterprise, setting out its financial, operational and other objectives. This step is not advisable at this juncture, as the impact of the Coronavirus pandemic has to be taken into account in designing the financial and operational objectives to be included in the statement of commitments. Similarly, the preparation of performance contracts setting out public service obligations for a limited set of state-owned enterprises will need to wait until the Coronavirus pandemic has subsided.

The Corporation's highest priority at this juncture is the continued operation of its state-owned enterprises in key sectors of the economy and the health and safety of their staff. The Corporation is in continuous contact with the state-owned enterprises and is continuously updated on the financial situation of the companies. In brief, the guidelines given to the subsidiaries by the Corporation foresee that they should take all measures required to remain operational with the staff that can be safely present in their premises. The uninterrupted provision of electricity, water and postal services is paramount. Contingency plans have been developed to ensure this. It is also important to prevent disruptions in the operation of the central markets in Athens and Thessaloniki as this could impact the supply chain of fruit, vegetables, meat and fish in the market. The Athens bus and metro companies are reviewing on a very frequent basis their transport plans to account for both a dramatic reduction of passengers as well as a decrease of the available staff due to the regime of special purpose leave (for health reasons and compulsory isolation due to Coronavirus pandemic).

The negative repercussions of the Coronavirus pandemic are expected to be particularly severe for the Athens Urban Transport Organisation and the Hellenic Post. More specifically, the revenue of the Athens Urban Transport Organisation has declined dramatically due to the measures for isolation and restrictions on movement of citizens. Also the operation of the post offices has been disrupted due to restrictions in the movement of citizens and isolation measures, whereas the Hellenic Post has to continue rendering universal service with the associated costs. It is noted that the above-mentioned update of the Corporation's business plan will take into consideration the impact of the Coronavirus pandemic on the state-owned enterprises under the Corporation, including the impact on the Athens Urban Transport Organisation and the Hellenic Post.

Despite these difficulties, the work of the Corporation on the key areas covered by the commitments to the Eurogroup is continuing, to the extent possible. The implementation of the strategic plan is ongoing, but the finalisation of the updated business plan for 2020-2022 has to be delayed due to the unprecedented events as noted above. The review and replacement, if needed, of the Boards of state-owned enterprises is close to being completed. Since the publication of the fifth enhanced surveillance report in February 2020, further progress has been made in improving corporate governance in state-owned enterprises through board reviews and appointments.

The authorities have continued their strong engagement with the Corporation. The authorities have coordinated the engagement between line ministries and the Corporation through the initial stages of the relaunched Coordination Mechanism. The authorities and the Corporation have also been in consultation in relation to measures necessary for ensuring business continuity and enterprise viability of the state-owned enterprises in the Corporation's portfolio.

The Coronavirus pandemic will limit improvements in the performance of the Corporation's real estate portfolio during 2020. This performance had showed some signs of improvement during 2019, following the restructuring of the Public Real Estate Company (ETAD), the real estate management arm, but performance had remained below expectations. In November 2019, the Corporation appointed a new Chief Executive Officer and a new second executive to the board of the Public Real Estate Company. While the commercial environment in 2020 will hamper the delivery of commercial results, operational improvements should remain feasible. Furthermore, the Public Real Estate Company faces certain legal cases, which go back many years with great uncertainty as to extent of claims and economic impact. Addressing these significant challenges and achieving the full potential of the real estate portfolio are key to the future of the Corporation.

The authorities have made some further progress in evaluating an additional package of real estate for transfer to the Corporation. While a large package of real estate was identified for transfer in 2018, screening indicates that many properties are ineligible for the transfer. The authorities expect the screening process to be completed shortly.

The Corporation has continued its work on corporate governance, in particular regarding the review of the boards of the state-owned enterprises (a specific mid-2019 commitment), and improving internal and external audit capabilities. The assessment of the board of directors for the subsidiaries of the Athens Urban Transport Organisation, responsible for bus and metro transport, was completed on 12 March, in cooperation with the Athens Urban Transport Organisation's management, with the appointment of new boards in the Athens bus and metro companies. Only the assessment of the board of directors for the Hellenic Exhibition Organisation and the Greek Saltworks remain pending. The assessment of the boards of these state-owned enterprises and the process for the selection of the new boards are expected to be completed soon. The replacement of two out of four non-executive positions at the Hellenic Exhibition Organisation was decided by the Corporation's board on 9 April 2020. So far, the Corporation has identified and appointed some 70 board members (executive and non-executive) in its portfolio enterprises through open, professional and transparent procedures. The Corporation is also preparing an e-learning compliance programme for its subsidiaries.

The Corporation's focus on operational improvements in state-owned enterprises is continuing and is more urgent in the Coronavirus context. A key challenge relates to the significant operational and financial issues at Hellenic Post, which faces a serious liquidity problem as well as underlying structural weaknesses. The company requires urgent restructuring to reduce its cost base and to develop new and sustainable revenue streams over the medium to long term to ensure its viability. The Greek authorities, with the participation of the Corporation, are in consultation with the Commission within the framework of the state aid pre-notification process.

The transfer of the Olympic Athletic Centre, which was a specific end-2018 commitment, proves to be very complex, involving multiple stakeholders as well as a series of administrative (including maintenance requirements) and procurement steps. These include procurement for the repair or overhaul of significant facilities, in order to ensure that the asset is provided in a satisfactory condition. At the beginning of April 2020, the technical advisor for the project submitted his final report on the condition of the main stadium and his proposal on possible support of the tier on the main stadium, whereas his work on the remaining deliverables is at an advanced stage. The next steps include the conclusion of the work of the technical advisor and the launch of the tender for the main technical study.

Separately, it is highly welcomed that the efficient and effective public real estate management is a priority for the authorities. In the framework of their plans of a holistic and coherent strategy aiming to optimise the protection, management and investment - oriented exploitation of public real estate, the authorities have agreed to a complementary commitment to present by end-September a memo - and if possible an action plan - including all organisations involved with public real estate management without prejudice to their mandates.

8.2. IMPLEMENTATION OF THE ASSET DEVELOPMENT PLAN

Implementation of the Asset Development Plan of the Hellenic Republic Asset Development Fund (TAIPED) is key to stimulate private investment, increase efficiency and provide financing to the state. In June 2018, the authorities made a specific commitment to the Eurogroup to implement the Plan, which will be updated every six months, and in this context to complete the transactions on Hellenic Petroleum (HELPE) and the Marina of Alimos by mid-2019. Further, the authorities committed to complete the transactions on *Egnatia*, *Public Gas Corporation (DEPA) Commercial, Athens International Airport shares, Water Supply and Sewerage Companies of Athens and Thessaloniki and the regional ports of Alexandroupolis and Kavala.* Additional commitments were taken for beyond 2019. Last, but not least, the Hellinikon transaction (development of the site of the former Athens International Airport, a specific end-2018 commitment) has remained pending.

The momentum in the privatisation process observed over the previous months could not be maintained due to the Coronavirus pandemic developments. The Coronavirus pandemic is impacting the implementation of the privatisation programme in many ways, inter alia:

potential investors – inability of site visits, difficulty of contacts, preoccupation of investors with safeguarding their existing business, financing problems, creation of a risk aversion approach;

asset valuation impact – in some cases such as the Hellenic Petroleum and the Athens international Airport there has been a very significant negative impact;

reduced capacity of the authorities or regulatory bodies in implementing the actions required for the transactions;

construction works have been negatively affected also because of missing raw materials.

Based on the above, the Fund considered it necessary to delay the submission of binding offers in the transactions for the Athens International Airport and Egnatia, delay the launching and/or execution process of the binding offers phase in the Public Gas Corporation transactions and also delay the launching of the expression of interest in the regional ports transaction.

Despite the overall negative commercial environment caused by the pandemic, the Fund is proceeding with the maturing of the transactions and the authorities are supportive on their side in taking the required government actions. This will make possible the launching of the next steps in the respective transactions, at a time that the situation normalises.

Overall, the Coronavirus pandemic will delay the implementation of the privatisation programme. As mentioned in previous reports, the timeline of the flagship projects below had been affected by delays or factors largely outside the control of the authorities. The only transactions that can theoretically be financially closed in 2020 are Hellinikon and the marina of Alimos. In particular:

Hellinikon (a 2018 specific commitment): Despite the continued strong engagement and efforts of the authorities to complete the conditions precedent to allow the transfer of shares to the preferred investor (Lamda), the financial closing does not seem to be forthcoming due to complications in the tender process for the award of the casino licence. The current state of play on key elements is as follows:

The tender process for awarding the casino licence is still ongoing. The evaluation of the legal documents submitted by the two bidders for the casino licence led to the exclusion of one of the two bidders from the process. The appeal by the excluded bidder was dismissed by the Authority for the Examination of Preliminary Appeals on 13 March 2020. Following the notification of this decision, the excluded bidder lodged a petition for annulment along with interim relief measures before the Council of State. The Council of State rejected the petition for interim relief measures on 7 May 2020. This opens the way for a continuation of the tender process. However, the decision on the petition for annulment remains pending. The complications that could arise from any potential future litigations during the next steps of the tender process may lead to further delays in the completion of the process.

The relocation of the public users still on the site can be completed soon without any problems; there is a pending relocation issue with only one private user. A second instance court decision is already issued in favour of Hellinikon S.A., paving the way for its enforcement and another one is still pending. The private user has proceeded with filing a new appeal before the Supreme Court but this does not hinder the execution of the enforcement process once the pending decision at the second instance court is issued.

Regarding the partition of the Hellinikon site, an agreement has been reached between all involved parties in February 2020, which will be reflected in a contractual binding document planned to be executed and then ratified by Parliament. The document, currently being drafted, will be finalised following the enactment of specific legislative provisions to that end, which have been prepared and sent for review to the Ministry of Finance.

Demolition of current buildings on the site – A legislative provision has been adopted on 12 February 2020 (Law 4663/2020), which makes possible the demolition of buildings on the site by Lamda. The launching of the implementation of the demolition process is expected to start soon.

Marina of Alimos concession (a mid-2019 specific commitment): The marina of Alimos is one of the largest marinas in the South-Eastern Mediterranean, located on the South-Eastern waterfront of Athens. Following the selection of the preferred bidder and approval by the Court of Audit in April and June 2019, respectively, the closing of the transaction was delayed primarily due to the time taken for the due diligence process by banks required in financing the transaction. On 7 April 2020, the Cabinet Act authorising the Ministers of Tourism, Development and Finance to sign the Concession Agreement on behalf of the Greek State was published in the Official Gazette. Following this, the concession agreement was signed on 13 May 2020.The financial closing of the transaction is expected within 120 days from signing (as provided for in the contract).

Hellenic Petroleum (a mid-2019 specific commitment): The authorities are yet to decide on the approach to be followed after the failure of the first tender in mid-2019; No binding offers had been submitted for the joint sale (along with PanEuropean Oil and Industrial Holdings S.A., the other strategic shareholder of Hellenic Petroleum) of a majority stake (50.1%) and thus there was no positive outcome of the specific transaction. The financial closure is thus inevitably subject to significant delays. The Fund is considering all options. However, following the recent significant fall in the capitalisation value of the company, the Fund considered appropriate to delay further the launching of the transaction to a later point of time.

Sale of 30% of Athens International Airport (an end-2019 specific commitment): The tendering process was proceeding well prior to the Corona virus outbreak. Ten investment parties expressed their interest to acquire a 30% stake in the first phase of the process concluded in October 2019. Following the evaluation of the investors' proposals, on 31 January 2020 the Board of Directors of the Fund decided that nine investment parties were qualified to proceed to the Binding Offers Phase. However, due to the Coronavirus pandemic impact on the economy in general and on the air transport sector in particular, it was considered necessary to delay the scheduled timeline for the second phase of the tender and the deadline for the submission of binding offers. The Fund is monitoring market conditions and will determine the updated tender timeline and the submission of the binding offers date, once a normalization of the situation takes place.

Public Gas Corporation – DEPA Commercial (an end-2019 specific commitment) – DEPA Infrastructure (a mid-2021 specific commitment): 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), while the international tender process for the sale of 65% of the share capital of DEPA Commercial, with an option of acquiring 100% of its share capital, was launched on 23 January 2020.

Good progress was achieved with both tenders attracting strong investment interest. Nine interested parties submitted Expressions of Interest in each of the two international tender processes, whose expression of interest phase ended on 21 February and 23 March 2020 respectively. The evaluation of the expression of interest proposals is underway by the Fund and its consultants. However, due to the unprecedented events, the launch of the second phase (binding offers phase) of both transactions will be delayed until further notice.

At the same time, the national energy regulator adopted a decision on the compensation measures to industrial consumers regarding distribution tariffs, which brings further clarity to potential investors, and it is expected to be published by end of May 2020.

Egnatia (an end-2019 specific commitment): The privatisation process for the Egnatia motorway entails the award of a long-term concession for the operation and maintenance of the motorway and its three vertical axes. The transaction had been characterised in the past by systematic delays and problems, showing a lack of ownership. The authorities have stressed their commitment to proceed with the transaction. In this respect, the following actions have recently been completed:

Signing of a Joint Ministerial Decision on 12 May 2020, which will: remove the obligation of the concessionaire to implement a closed tolling system; provide for a gradual implementation of the new toll pricing policy approved by the Commission; and provide for a new frontal toll station between Veroia and Kleidi and resulting amendments in the charging distances of the affected toll stations. The Joint Ministerial Decision is expected to be published in the coming days.

Appointment of the advisor who will carry out all the preparatory work necessary for the remaining land expropriations at the end of April 2020.

Despite the need to delay the submission of binding offers due to the impact of the Coronavirus pandemic, the specific actions are considered to be positive in providing clarity on important elements of the concession agreement. The authorities and Egnatia S.A. are expected to proceed with the implementation of all remaining pending actions, namely: (i) clarity on the works needed for bridges to be classified as safe; (ii) completion of the construction of all remaining frontal and lateral toll stations; (iii) licensing of all tunnels by the Tunnel Licensing Authority; and (iv) resolution by Egnatia S.A. of the open issues related to the four motorist service stations contracts that have been inactive since 2011.

Regional Ports (an end-2019 specific commitment): Following a long period of delays and problems in the launching of the specific transactions, good progress has been achieved over the last months. The legal amendment giving the Fund the flexibility of choice (i.e. sub-concession, sale of equity) was adopted by Parliament on 12 February 2020, while the Fund at the same time launched the process for recruiting external consultants for the sale of equity for four ports. The recruitment of the advisors (financial, legal and technical), to support the sale of shares transactions for four ports, was concluded in April. However, due to the unfavourable environment, it was considered reasonable to delay the launching of the transaction (sale of shares) for the first regional ports to a later point of time.

9. PUBLIC ADMINISTRATION AND JUSTICE

9.1. PUBLIC ADMINISTRATION

The public administration has been faced with a dual challenge in dealing with the Coronavirus pandemic, as it has been called to spearhead the authorities' response, but at the same time seen its overall capacity being reduced due to the confinement measures as well as precautionary measures taken for specific risk groups. Overall, the response of the public administration has allowed key services that citizens and businesses rely on to continue largely uninterrupted. A number of digital tools have been launched during the containment period, see section 7.2 and Box 9.1.

The Ministry of Interior has drawn up emergency plans to ensure the operation of public services. These plans covered two scenarios. In the first scenario, the operations continue, but staff presence is reduced and a system of rotation is adopted between staff teleworking and working from the office. In the second scenario, covering the event of a general suspension, the plan identifies critical public services that would continue to operate with a minimum number of personnel. Further, contingency plans were established to move staff from suspended or non-critical entities to the services that remained operational. Additional provisions were adopted to temporarily suspend mobility procedures regarding the staff serving in the Ministry of Health and some municipalities, while a reasoned decision is needed when granting special purpose leave to the staff of the Ministry of Health, Ministry of Migration and Asylum and uniformed personnel.

Appointments of senior management positions in the public sector

The appointments of the Permanent Secretaries in the public administration have been completed, whereas the selection process for Directors that had been resumed has been temporarily paused again due to the Coronavirus pandemic. The Permanent Secretaries appointed in the 13 Ministries have taken up their role, while the planned training has been postponed due to the Coronavirus pandemic. The authorities have confirmed their intention to establish a Permanent Secretary post at the recently established Ministry of Migration and Asylum. The selection process for Directors at the Ministries had been resumed, but had to be stopped due to the Coronavirus outbreak. The selection processes yet to be launched for Directors as well as for the Heads of Division to follow will be governed by recently adopted legal provisions ([42]), which attach more importance to relevant experience and also strengthening the link with the annual appraisal process.

In March 2020, the authorities adopted legal provisions extending the selection process at the central administration to also apply at the local administration level, which is welcome. In order to establish a uniform selection process of management posts across the public administration, the authorities decided to extend the selection procedure to also cover the level of municipalities. Beyond the positive aspect in terms

([42]) OJ A 53/11.03.2020, Articles 45-46.

of transparency of applying the same selection procedure, this also provides a strong signal of ownership of the reform by the authorities.

Draft provisions have been prepared to set up an uniform selection process for senior management posts at public sector entities ([43]) that is expected to be adopted shortly and to come into effect on 1 September 2020. The authorities' revised proposal sets out that the selection process will apply for all these entities where the appointment powers currently belongs to the government. This is a welcomed development as it is expected to contribute both in terms of the transparency and efficiency of this reform. The central role foreseen for the Supreme Council for Civil Personnel Selection in the selection process is also welcomed, in particular in terms of contributing to the further depoliticisation of the public administration. Finally, it is understood that the selection process rests on the main principles applied for other selection procedures, but leaves the final decision with the relevant Minister, but at the same time restricts the tenure to three years.

The ongoing selection process for the structures managing the EU structural funds (National Strategic Reference Framework) under the mandate of the Ministry of Development and Investments have not progressed and plans to relaunch a new selection process could affect the stability and effective functioning of the management and control systems put in place. The ongoing selection process, which has been faced with severe delays, concerns close to 200 posts and has been a key element of the reforms concerning the management of the Framework as part of the European Stability Mechanism programme. The first phase, including written exams, has been completed for all posts, while for a limited number of posts the whole selection process has been completed. Cancelling the selection process at this stage could therefore risk legal challenges while the validity of the already completed appointments could also come into doubt. This uncertainty is likely to have a detrimental impact on the business continuity of these structures, coming at a very critical period, as it coincides with the preparation of the next programming period (2021-2027). It would be preferable for the ongoing selection process to be completed uninterrupted as a matter of urgency, and thereafter to review the selection process and introduce specific improvements for the next selection round.

Improving the human resource management in the public administration

Overall good progress has been made in developing a Human Resources Management System (HRMS), including completion of a significant number of digital organigrams and job descriptions (an end-2019 specific commitment), while a link between these job description and job holders have also been established for most of the posts. Until mid-March over 1,100 general government entities had completed its digital organigram, representing more than half of all entities and close to 70% of personnel, including most of the large entities. For example, both the Single Social Security Fund (EFKA) and the Employment Fund (OAED) completed their respective organigram during this reporting period. The process of establishing a link between the job description and jobholder is ongoing, and according to estimates provided by the authorities this link has been established to date for approximately 75%

([43]) In the Greek context, these public sector bodies are referred to as legal entities of public law and legal entities of private law.

of currently occupied posts. Progress has been made with the EU-funded (through the National Strategic Reference Framework) tender on Human Resources System Support Services, with the public consultation phase ongoing and the tender expected to be launched in June 2020. In this regard, a working group ([44]) has been established that will follow this reform and ensure efficient coordination and preparations proceeding as planned. The authorities are progressing in upgrading the census database until the system is operational by mid-2021, as set out in the National Reform Programme.

The authorities have committed to strengthen the personnel selection system through updating the enabling law of the Supreme Council for Civil Personnel Selection and to increase its overall capacity (a complementary commitment). The new commitment entails a revised law to be adopted by October 2020. Thereafter, a detailed action plan for the Supreme Council's reorganisation will be finalised by end-2020 with the implementation of specific key actions being monitored from 2021 onwards. Work has already been initiated, with a number of working streams being defined, including application process, special hiring provisions (incl. for temporary staff) and organisational issues. A steering committee, with the participation of the Supreme Council, has been established, but due to the Coronavirus pandemic the work of the committee has been suspended for the moment. It is welcomed that the authorities have taken a holistic approach when reviewing the enabling law, including the hiring procedure for temporary staff, which are not fully coherent across the public administration, in particular as concerns the advantage provided to this category of staff in future hiring procedures for permanent staff.

The mobility cycle for 2020 has been launched in accordance with new legislation aiming to further improve this reform. The legislation adopted in March 2020 ([45]) strengthens the link between the mobility scheme and the annual recruitment planning. Further, it reduces the cycles conducted per year, while enforcing the timeframe. In this regard, it also sets out a specific provision for previous cycles that had not yet been completed, while stating that all ongoing procedures needs to be completed by end-May 2020. Due to the Coronavirus pandemic an extension has been granted ([46]) for the first mobility cycle launched in 2019 that needs to be completed by end-June 2020. The application of a stricter timeframe is expected to bring more clarity as various cycles will not be running in parallel, which should also facilitate the authorities' intention to carry out an assessment of the overall efficiency of the mobility cycle system.

The performance assessment cycle for 2019 has been delayed due to the Coronavirus pandemic, but the authorities are moving ahead with plans to strengthen the assessment framework and link it with the annual action plans of each Ministry. Legal provisions adopted in March 2020 ([47]) set out that the assessment period is set for January till June in each year and that all assessments will from now on will be completed obligatory online. In terms of the future plans to improve the

([44]) Members included the Ministry of Interior (Secretariat General for Human Resources in the Public Sector), the Ministry of Digital Governance, the Single Payment Authority, the Supreme Council for Civil Personnel Selection (ASEP) and the National Centre for Public Administration and Local Government (EKDDA). OJ YODD 25/17.01.2020.

([45]) OJ A 53/11.03.2019, Articles 41-43 and 79.

([46]) OJ A 90/2020.05.01, Article 27.

([47]) OJ A 53/11.03.2019, Articles 51 and 79.

assessment framework, the new system is expected to (i) define targets linked to the action plans of each entity; (ii) participation of the Permanent Secretaries, Internal Control Units and the Supreme Council for Civil Personnel Selection in the performance appraisal procedure; and (iii) applying distinct and specific criteria, tailored for every category of civil servants, based on the generic job descriptions.

Work has continued on streamlining the job classification system ('klados') with technical support provided by the European Commission. The plan is to update the relevant Presidential Decree (PD 50/2001) and to set out the job classification categories that will remain in effect. Thereafter, the focus is expected to turn to strengthening the link of the streamlined system with recruitment procedures, which is expected to reduce the time for issuing job announcements.

Progress has been made to strengthen the public sector's integrity system. The Ministry of Interior in cooperation with the National Transparency Agency has set up an ambitious plan with specific actions based on three pillars, namely suppression, prevention and awareness. Under the prevention pillar, a draft law to establish an internal control system is expected to be ready by June 2020. During this reporting period the authorities have also progressed on other related key human resources policies, including electronic timekeeping and mapping out a transparent process of granting sick leave to be applied across the public administration.

Legal codification

The authorities are seeking to progress with ongoing work on legal codification, despite current disruptions due to the Coronavirus pandemic with the Central Codification Committee being re-established ([48]) and is expected to have a key role in pushing ahead with the legal codification. As a first step, the Committee is expected to shortly adopt a manual for legal codification that has been prepared with technical support provided by the European Commission. The Committee is also mandated to prepare an annual plan that will prioritise the various codification projects. Furthermore, the Committee will have a key role to ensure that available funding through the National Strategic Reference Framework is used in an efficient manner and in accordance with the principles to be set out in the manual. In this regard, it will also be important for the various tenders to be launched swiftly, as the funding available will have to be fully disbursed within the next two years.

Due to the Coronavirus pandemic, the authorities have slightly delayed their plans to adopt a new codification law for the Labour Law Code and Code of Labour Regulatory Provisions (a mid-2020 specific commitment). The Ministry of Employment remains fully committed to proceed with the new codification law that is expected to be adopted by September 2020.

([48])OJ YOΔΔ 340/2020.05.04.

Box 9.1: **Digital transformation of the public sector and the Greek economy**

The Coronavirus pandemic has worked as a catalyst for advancing the digital agenda. The authorities' efforts to accelerate the digital transformation of the public administration and the economy as a whole have significantly contributed to ensuring business continuity and keeping the administration afloat, despite the unprecedented operational disruptions. In this sense, the urgency of the situation appears to have provided the necessary leverage for the Greek government to leapfrog long-standing legacies of resistance to administrative change and overcome previous security concerns. These initiatives, along with efforts to thwart internal impediments such as the reluctance of public services to accept the legality of electronic documents or their unwillingness to apply the new digital processes, have been spearheaded by the recently established Ministry of Digital Governance.

Key projects to support citizens and businesses, as well as visibility initiatives, have been frontloaded. One of the first actions of the government was the early launch of a pilot for the single gateway to public services, the gov.gr portal, to offer more than 500 services electronically for citizens and businesses, including e-prescription to increase patients' access to medicine. To this day, more than 350,000 citizens have subscribed to the e-prescription scheme, with more than 850,000 prescriptions ordered through the system and more than 410,000 executed. In addition, through the establishment of the 'myBusinessSupport' application under the 'TAXISnet' system of the Independent Authority for Public Revenue, the government has managed the submission of applications for financial assistance to businesses and self-employed workers affected by the pandemic. Around 138,000 applications were submitted for the repayable advance scheme, in the first round of applications in April, alone. Lastly, Greece has been able to gain wide visibility through the Ministry of Tourism's 'Greece from Home' initiative, set up to promote Greece as a tourism destination (www.greecefromhome.com).

With a view to responding to the social implications of the Coronavirus outbreak, the authorities swiftly established digital infrastructure to organize solidarity initiatives and effectively enforce social distancing measures, while also introducing provisions to facilitate distance education. This includes the creation of a digital solidarity platform to manage the voluntary contributions of more than 170 businesses that offer free or low cost services to citizens at home (www.digitalsolidarity.gov.gr) and a volunteers' platform, which attracted more than 12,500 citizens who wished to contribute to the tackling of the crisis (www.ethelontes.gov.gr). Further, through the creation of the forma.gov.gr platform, the authorities were able to grant and monitor approvals to citizens for commuting during the enforcement of containment measures. The Ministry of Education adopted provisions allowing for distance education through the use of modern telecommunications at primary and secondary schools. This will allow for children in a risk group to continue their education uninterrupted during the Coronavirus pandemic, while the Data Protection Authority has been consulted that adopted provisions are complying with the rules for the protection of personal data and privacy.

A number of interventions were implemented as a priority to ensure business continuity within the public administration. Key elements include the provision of remote virtual private network (VPN) access to staff handling sensitive information in critical government services such as the Independent Authority for Public Revenue and the Ministry of Finance. Further elements included an extension of inter-service system interoperability coupled with an increase in the capacity, performance and security of IT systems, the establishment of a system for the electronic distribution of documents, and the creation of the 'e-private' platform to facilitate video-conferencing among public sector staff. Finally, the authorities proceeded with the distribution of digital signatures to all Cabinet members to ensure continuity in the legislative process, whilst frontloading the roll-out of the distribution of 150,000 digital signatures to public sector staff.

In parallel, despite uncertainties stemming from the Coronavirus pandemic, work continues on key projects to enhance the digital performance of the public administration and the economy. Albeit with some delays in the tendering process, major projects supported by EU funding are progressing. Specifically, the submission of final offers for the 'Syzefxis II' project, aimed at improving the telecommunication infrastructure of the existing public administration network, is expected soon, subject to possible delays stemming from the pandemic. Further, the first stage of the tender process on the 'Ultra-Fast Broadband' project aiming to fill gaps in very-high-speed connectivity and to help Greece achieve its gigabit society

(Continued on the next page)

Box (continued)

targets has been concluded. In addition, the 'Superfast Broadband' project, which aims to stimulate demand and support citizens by providing very high capacity network service, is now progressing, following initial delays. Given the importance of these projects in the digital transformation of Greece, the formulation of detailed implementation timelines are needed to enable better monitoring and ensure the projects' timely delivery, as well as full absorption of EU funds. Lastly, despite some inevitable delay, the new national strategy ('Digital Bible') for the digital transformation of the public administration and the economy is expected to be finalised shortly. The 'Digital Bible', once adopted, will eventually replace the existing National Digital Strategy.

The authorities have committed to the delivery of specific complementary actions to further ease the administrative burden for businesses and citizens, in line with the government's ambitious reform agenda in this area. These commitments, led by the Ministry of Digital Governance, go in the direction of advancing the implementation of the National Programme for Process Simplification in key policy areas and further extending the interoperability of registries, data and IT systems by end-2021. To this end, the authorities aim to issue a Ministerial Decision soon, to set out the responsibilities of the said Ministry and other Ministries with respect to the Simplification Programme and define core simplification actions. With the help of technical support provided through the European Commission, they also expect to issue an implementation guide for simplification soon. These actions are expected to provide the necessary organisational set up for the forthcoming steps. Further, under the remit of the Ministry of Digital Governance, the authorities committed to continue working towards the integration of all transactions with the state within the single digital portal (gov.gr), unifying the legal framework on digital policy, and safeguarding business continuity by ensuring sufficiency of digital infrastructure by mid-2021. To this end, the authorities are about to set up a dedicated unit at the said Ministry to coordinate the development of this portal and the next steps concerning the key functionalities and the procedures to be digitalised. In addition, they are also working towards the creation of a new Code of Digital Governance that is expected to create a comprehensive, transparent and unified legal framework on digital policy.

The authorities are also pursuing complementary commitments towards digitising geospatial data to facilitate private sector investment projects and improve the management of public infrastructure. Firstly, through the creation of a new tool 'the Single Digital Map' under the responsibility of the Ministry of Energy and Environment, the authorities aim to increase transparency to investors concerning land use rules across Greece by matching geospatial data with business activity codes, thus improving predictability of investment licensing decisions. To this end, the authorities issued secondary legislation in April 2020 to define responsibilities for the development and oversight of this project. Further, the authorities committed to developing an action plan by June 2020 to implement the programme on a two-year pilot basis in five municipalities in three regions in Greece, as per the relevant provisions of the Development Law adopted in October 2019. Secondly, the authorities are pursuing the development of a State Infrastructure Registry, under the responsibility of the Ministry of Infrastructure and Transport, to record technical and geospatial information about all public infrastructure projects, including for construction and maintenance planning purposes. To this end, they committed to developing, by May 2020, an action plan for the implementation of this registry.

Sustaining the momentum going forward is a priority and will underpin post-pandemic recovery. Locking in and further accelerating the digital transformation of the public administration, the judicial system and the economy as a whole after the easing of containment measures is likely to be challenging. Nonetheless, keeping the momentum would translate into boosting productivity in the private sector and enhancing the quality of the public administration. In turn, these would buttress Greece's recovery and facilitate the creation of an economic environment conducive to investments and growth.

The tender for the flagship project to set up the national gateway for legal codification (a mid-2022 specific commitment) has been published for public consultation and is expected to be launched shortly by the Ministry of Digital Governance. The close collaboration that has been established with the Presidency office (Secretariat General for Parliamentary and Legal Affairs) is expected to facilitate the planned tenders to support the preparations of legal codification laws, as it is an intermediate body under the Ministry of Digital Governance that has been assigned the contracting responsibility.

Implementation of the Executive State Law

The authorities have adopted a detailed legislative methodology manual ([49]) and a template for a comprehensive impact assessment, which were prepared with technical support provided by the European Commission, and constitute key tools to enforce the good law-making provisions that came into effect in January 2020. A legislative amendment has been adopted ([50]) to introduce the needed changes in the code of procedures of the Parliament that will come into effect in October 2020. However, it is the expressed intention of the authorities that new laws being drafted from here on will be in accordance with the manual setting out the legislative methodology and be supplemented with the new and comprehensive impact assessment template. This is a significant reform as it is expected to improve the legislative process and gradually remove obsolete or even mutually contradicting provisions.

According to preliminary findings the delegation of signature powers to the non-political level that came into effect in February 2020 is being applied efficiently across the central administration. This entails a major reform at the core of the public administration, as one of its main characteristics had been the high degree of centralisation in the decision-making. It is estimated that approximately 80% of all decisions taken in each ministry will from now on be signed off at Director-General level. This reform is expected to contribute to the further depoliticisation of the public administration, as the borders between the political and administrative levels becomes more distinguished.

Controlling the size and cost of public sector

Hiring of permanent staff in 2019 was in compliance with the staffing plan and the staffing plan for 2020 respects the set hiring limits under the 1:1 replacement rule. As can be seen from Table 9.1, the number of permanent staff increased slightly during 2019. This increase remains within the so called attrition rule currently in effect (i.e. one new hiring for each exit), as the limit set for previous years was under-executed due to fiscal constraints, but also time-consuming hiring procedures. In terms of the overall number of personnel in the public sector, as is also set out in the table, saw an increase of 1.7% in 2019 compared to 2018, which is mainly attributed to the increase of the temporary staff.

Temporary staff has continued decreasing since its peak in mid-2019. Although, overall number of temporary staff increased in 2019 compared to 2018, the rapidly increasing trend seen since 2018 was reversed during the second half of 2019 with number of temporary staff actually starting to decreasing. However, the number of temporary staff remains well above the level in 2018 when Greece exited the European Stability Mechanism Programme.

([49]) https://gslegal.gov.gr/?p=7041
([50]) OJ A 81/2020.04.10.

Table 9.1: **Evolution of public sector staff and wage bill (2009-2019)**

Year	Permanent staff	Temporary staff burdening the budget /1	Elected staff	Other categories	Total
2009	730,234	153,087	21,286	3,366	**907,973**
2010	700,962	109,968	21,286	3,262	**835,478**
2011	674,012	57,853	12,113	3,088	**747,066**
2012	654,781	41,869	12,031	3,053	**711,734**
2013	618,572	22,626	13,252	3,103	**657,553**
2014 /2	576,856	12,833 /3	6,188	2,891	**585,935**
2015	600,484	56,385	7,149	4,773	**668,791**
2016	598,870	58,053	8,057	4,851	**669,831**
2017	602,908	59,731	8,248	5,728	**676,615**
2018	601,789	64,911	8,887	6,027	**681,614**
2019	604,564	72,032	10,280	6,320	**693,196**
Change to 2009	**-17.2%**	**-52.9%**	**-51.7%**	**87.8%**	**-23.7%**

Notes:
/1: Includes all temporary contracts in General Government entities and legal entities under private law. For 2009-2013 the figure refers to the stock at the end of each year, whereas for 2014-2019 the figure is a yearly average (Jan-Dec)
/2: 2014 figures are not comparable because data on personnel of legal entities of private law (permanent & temporary) are not available in census database.
/3: Data on temporary staff not burdening the budget is not available for 2014. The figure of temporary staff for 2014 derived based on the census database comment that the number of temporary staff not burdening the budgets is 45,000 for 2014 (which equals the approvals of 2013 for this type of personnel).
Source: Apografi database

Given the sharp increase of temporary staff since 2018, it is highly welcomed that the authorities have agreed to a new complementary commitment to reinstate a ceiling of temporary staff from 2021 onwards. This new commitment is expected to contribute to the authorities' ambition to strengthen the central control of hiring procedures. As a first step, the authorities are expected by September 2020 to carry out a comprehensive review of posts included currently under the 'temporary staff' monitored with an aim to remove posts of a permanent nature. Thereafter, a study assessing appropriate employment levels, which is carried out through technical support provided by the European Commission, is expected to be completed. The completion of the preceding two steps, will allow for a methodology to be developed that will define an annual ceiling on temporary staff, including incorporation of completed conversions of temporary posts into permanent posts.

Continued progress has been made in strengthening central control of the unified wage grid and hiring procedures through the inter-ministerial committee established earlier this year. Due the Coronavirus pandemic the committee has not been able to convene its first meeting. The adoption of a new and more comprehensive impact assessment template to accommodate each law is also expected to contribute to strengthening control, as a dedicated section concerns assessing implications of proposed legal provisions on hiring procedures and the wage grid. Depending on the extent the committee's recommendations will be taken into account by the political level and the adoption of legal provisions not fully consistent with the hiring procedures and the unified wage grid, additional measures could be considered. For example, restricting remuneration-related amendments to dedicated wage grid laws to be adopted at pre-set periods (e.g. twice a year). Finally, a positive measure to further strengthen central control of hiring procedures, is the adopted provision ([51]) that sets out that personnel appointed at permanent posts at municipalities ([52]) that are expected to be covered through the reciprocal fees collected by the municipalities need to remain, at least, seven years in the post they have been recruited for. This will hopefully address a long-standing issue in the Greek public administration, where personnel hired for to fill specific roles moved on to other posts in the public sector, resulting in the need for temporary staff to subsequently being hired to fill the gap, as permanent hiring procedures are time-consuming.

Following adoption of legal provisions allowing for a key IT project to commence, the authorities are preparing an action plan to strengthen the capacity of the Single Payment Authority. The IT project being developed is expected to be completed within two years and will allow the Single Payment Authority to calculate and manage remunerations for approximately 650,000 public officials. During the implementation period of this IT system, the Single Payment Authority's capacity is expected to be enhanced on the basis of an action plan that is being developed. To ensure that the third and final phase of the Single Payment Authority reform is implemented in an efficient manner, it is also important that the Single Payment Authority remains mandated to manage all general government entities without exception. In this regard, it is noted that a recently adopted provision ([53]) excludes specific municipal organisations from the responsibility of the Single Payment Authority.

9.2. JUSTICE

As part of the project to strengthen E-Justice, some progress has been recorded in the transition to mandatory electronic filing and processing of legal documents in civil and penal jurisdictions. Whereas the "Invest in Greece" law of October 2019 provided for the mandatory electronic filing of all documents throughout all instances of the administrative branch of the judiciary as of 1 January 2021, this manner of filing remains optional and is only partially available in civil and penal jurisdictions. The authorities are proceeding with setting up a working group for the use of IT in Justice with the mandate to map the current situation and to elaborate the relevant project roadmap; stakeholders of the legal professions as well as the Ministry of Digital Development will participate. A precondition for the generalised and mandatory electronic filing is the acquisition and use of certified digital signatures by judges, administrative court staff and legal professionals. As these have been issued up to date to only 20% of lawyers and a handful of magistrates (and scarcely used), the Ministry of Justice, in collaboration with the Ministry of Digital Policy, have initiated action to simplify the procedure for the certification of digital signatures, by reducing red tape, in

([51]) OJ A 53/2020.03.11, Article 74.
([52]) Mainly relate to the hiring procedure 3K/2018 with 8 166 posts, out of which a substantial part concerns staff to be employed in waste management by the municipalities.
([53]) OJ A 53/2020.03.11, Article 2.

order to facilitate their acquisition by all legal practitioners. Provision of training sessions to court personnel is also being planned.

Progress has also been recorded regarding the electronic issuance of certificates by a number of courts. As of 23 April 2020, three categories of court certificates related to probate matters and a further three categories pertaining to the filing of appeals and to postponements of hearings can be obtained electronically. Additional categories of certificates should be added shortly with respect to the magistrate's courts of Athens and Thessaloniki and the district courts of Piraeus and Thessaloniki. Moreover, a provision is due for adoption shortly, allowing for the electronic notification of legal documents. Work is also ongoing regarding the digitization of criminal record extracts and the electronic delivery of the corresponding certificates.

On 15 April 2020 the authorities published the long overdue call for bids for the second phase of the Integrated Judicial Case Management System, a mid-2020 specific commitment. The bids must be submitted by 26 May 2020 and the competition for the award of the contract will take place on 1 June 2020. The delivery of the contractual project must be completed within 36 months from the signature of the agreement.

The last stage of entry into force of the mandatory mediation framework has been completed in March. The third and final stage of compulsory mediation came into force on 15 March 2020, extending its coverage to all regular jurisdiction proceedings before first instance civil courts with a disputed value in excess of €30,000. However, due to the suspension of the function of courts in the context of the Coronavirus outbreak until 27 April 2020, the effects of the new measure will be measurable only later on in 2020. To raise awareness of the availability of mediation as an alternative dispute resolution tool and to facilitate its use by stakeholders, the Ministry of Justice has secured pre-approval of funds to be used for dissemination of information and organizing training sessions for legal stakeholders.

The authorities are also proceeding with the initiative of creating specialized chambers in civil and administrative courts (a complementary commitment). The new chambers would deal with specific categories of cases and would be staffed by judges with relevant professional experience or academic credentials. A draft bill, due to be put on public consultation shortly, would allow the setting up of special chambers in civil jurisdictions in Athens and Thessaloniki, at first instance and on appeal, to deal with cases involving claims for damages based on the transgression of national and EU legislation on electronic communication, energy and the protection of private data; the addition of further categories of cases would also be allowed. The chambers in question would acquire expanded territorial jurisdiction over additional regions of Greece. The creation of special chambers would also be allowed in administrative jurisdictions operating more than three sections, both at first instance and on appeal, with respect to specific categories of cases to be defined by the respective heads of administration of the relevant courts.

9.3. ANTI-CORRUPTION

The operational capacity of the National Authority for Transparency is gradually being enhanced with a view to being fully operational by November 2020. The operational capacity of the Authority has been reinforced since its creation in August 2019 with the recruitments of administrative staff, the appointment of senior managers and the drafting of a strategic plan. The next steps include the appointment of the President and the members of the management board, the selection of the audit committee members and the calls of interest for staffing the directorate of internal audit as well as the audit and investigations unit. The awareness-raising pillar of the Authority's work is less developed so far, but the Authority regards it as a key pillar in the fight against corruption and managed to launch a couple of projects before the implementation of the precautionary measures related to the Coronavirus outbreak.

The National Authority for Transparency closely monitors the implementation of the National Plan for Anticorruption that shows good results so far and that will be independently assessed before the Authority adopts the next plan by 2022. The National Anticorruption Plan progress report for the second half of 2019 has been published and show that 96% of the actions are either on going, either completed, with only 6 pending actions. On the positive side, the National Authority for Transparency, which is responsible for designing a structured internal control framework for the Greek public administration, is working in cooperation with the Hellenic Court of Auditors with a view to strengthening the internal control systems in both the central and local governments and has started to deliver (see section 3.5). The plan to improve the framework for asset recovery and the creation of an information system for the management of frozen assets, which is a national and an international obligation, is also progressing. In early 2021, the National Authority for Transparency is scheduled to receive an external appraisal of the national anticorruption plan for 2018-2021 and drafted a timeline for launching the tender. The authorities foresee to carefully consider the providers' conclusions before drafting the national anticorruption plan for the period running from 2021.

The National Authority for Transparency is involved in the oversight of political party financing and in the controls of asset declarations. Its Governor is a member of the Committee whose role is to issue decisions on state financing to political parties, monitor private financing to political parties, appoint accountants to audit political parties' finances during election periods and perform audits on asset declarations. The Committee's latest report on political party financing and on asset declarations concerns the economic year 2018 ([54]). The work of the committee for 2019, which was a multiple election year, has been delayed due to the Coronavirus pandemic and should began by October 2020. The authorities committed to report shortly on the implementation of the institutional framework on political party financing to date. Moreover, the legislative framework of party financing has been flagged by the authorities as an additional area for legal codification. The European institutions encouraged the authorities to include it

([54]) The asset declarations covering the asset situation of ministers, mayors, and members of Parliament and members of European Parliament as of end-2018 have been uploaded on the Parliament's website in May 2020.

in the annual action plan that the Central Codification Committee is expected to publish later this year (see section 9.1).

The recommendations of the Group of States against Corruption (GRECO) are taken into account through the agreed dedicated committee. In March 2020, the committee monitoring the implementation of the new Criminal Code and the Criminal Procedure Code has been set up. By December 2020, the Committee will propose some amendments to the Codes with a view to taking into account the recommendations by the Group of States against Corruption. When it will examine legal provisions related to these recommendations, the National Authority for Transparency will be invited as an observer.

ANNEX

Progress with the implementation of end-2019 specific commitments and relevant continuous commitments (*) given to the Eurogroup (Annex to the Eurogroup statement, 22 June 2018)

	Commitment	State of play and next steps
*	**Fiscal.** Achieve a primary surplus of 3.5% of GDP over the medium-term.	Greece reached its primary surplus target of 3.5% in 2019, meeting the target for the fifth year in a row.
*	**Fiscal structural.** The authorities will complete the full offsetting and collection of the clawback by June every year for the previous calendar year.	Clawback collection, a continuous commitment, is progressing with delays, not all imputable to the current emergency situation. The authorities aim at meeting the originally agreed targets, with some delays due to the containment measures but also some accumulated from before the current health emergency. The authorities are planning to take measures to contain the increase in the amounts to be clawed back but further measures are likely to be needed to reverse the trend.
1	**Public financial management.** Complete the cash monitoring and forecasting for the General Government Treasury account system.	The Treasury of Single Account system is operational and provides a useful overview of the state cash situation while the cash forecasting project is progressing (an end-2019 specific commitment rescheduled for mid-2020). The pilot project on cash forecasting covering the majority of state's cash reserves will be implemented according to the March 2020 draft strategy.
2	**Tax administration.** Reach the agreed permanent staffing positions at the Independent Authority of Public Revenue (IAPR) of 12,500 by end-2019.	The Independent Authority's staffing numbers increased at a modest pace during this period, although remaining well below the targets. Staffing levels continued to increase during the first quarter and currently stands at 11,916, compared to 12,500 that was set as the target by end of 2019. The complementary measures in the areas of human resources, IT and housing needs, agreed in 2019, have seen limited progress. The primary legislation on the human resources reform remains pending and the timeline for its full implementation will be affected by the Coronavirus pandemic, but a revised timeline is yet to be set. Regarding the IT infrastructure and to clarify the

	Commitment	State of play and next steps
		competency areas of the Independent Authority no concrete progress has been made. These efforts are expected to be stepped up with greater urgency, as the interoperability of various databases would strengthen the capacity to combat tax evasion and facilitate the timely collection of taxes. As concerns relocation of the headquarters of the Independent Authority into one single location, the previously identified building was passed to another public body. The authorities currently plan to construct two new buildings to host the Independent Authority next to the Ministry of Finance at the outskirts of Athens, with an expected completion in 2024.
*	**Arrears.** The authorities will implement the arrears clearance plan and avoid the accumulation of new arrears.	The Coronavirus outbreak has had an adverse effect on the implementation of the arrears clearance plan, but progress has been made on improving the underlying processes and the authorities remain committed to the timeline set in the October 2019 plan. The stock of arrears in January 2020 stood at €1.3 billion, €69 million above the December 2019 level and €340 million above the clearance target. The authorities designed two measures that should clear 15% of the overall stock of arrears once operations resume. They aim to speed up the arrears clearance for health providers and allow for an immediate clearance of certain tax refunds. With a view to avoiding the accumulation of new arrears, the authorities plan to implement a new IT system in the Single Social Security Fund (EFKA) to substantially accelerate the pace of clearing the backlog of pension claims.
3	**Social welfare.** Complete the rollout of all three pillars of the Social Solidarity Income scheme by end-2019.	As part of the commitment to complete the rollout of all three pillars of the Social Solidarity Income scheme, the authorities have completed the evaluation of the pilot of the new delivery system for active labour market policies and have set up initial plans to run further pilots for the expansion of the new model. The authorities will now proceed to the scale-up of the pilot in additional geographical areas with different labour market characteristics, widen the target group and strengthen data collection and analysis with a view to drawing lessons for the broader rollout. The design of the disabilities benefit framework, a mid-2019 specific commitment,

	Commitment	State of play and next steps
		has been agreed. Following a discussion on EU best practices, a new reform approach will be adopted based on assessments of functional disability based upon physical examinations by qualified experts. Such assessments are widely used by other Member States with the dual role of assessing benefit eligibility and making specific proposals for disability mitigation and rehabilitation. The agreed roadmap for the implementation of the new design of the commitment will start with a pilot project from January 2021.
4	**Social welfare.** Review the system of subsidies for local public transport by end-2019.	The evaluation study has been delayed by the Coronavirus outbreak, but reform legislation is expected to be completed in any case by end September 2020.
*	**Financial stability.** Greece will continue to implement reforms aimed at restoring the health of the banking system, including non-performing loans resolution efforts by ensuring the continued effectiveness of the relevant legal framework (i.e. household and corporate insolvency, out-of-court workout, non-performing loans sales, e-auctions) and taking all necessary actions to this effect.	The Coronavirus pandemic has diverted resources at all levels of the public administration, limiting progress and resulting in delays in the advancement of financial sector reforms. Nevertheless, the authorities remain committed to harmonising the insolvency framework and to improving the existing tools for the resolution of non-performing loans. This is welcome as with the Coronavirus pandemic unfolding, an efficient insolvency framework is increasingly important. The actions outlined below are monitored and assessed as part of a continuous commitment in the area of financial policy. The authorities have advanced with the preparation of a new Insolvency Code. It is expected to be adopted by the end of June and enter into force on 1 January 2021. While a full assessment will only be possible once a stable text is available, the current draft provides a welcome modernisation and unification of insolvency law, based on international best practices. A key requirement for the effective application of the Code will be a sound processing and enforcement framework, in terms of both legislation and practical implementation capacity. The draft Code also contains a proposal for a sale-and-leaseback scheme, whereby the primary residence of eligible borrowers could be bought by a state-owned entity and leased back to the debtor, with the possibility of repurchases, while vulnerable eligible borrowers will be entitled to a subsidy on the rent of the leased-back property. While similar

	Commitment	State of play and next steps
		schemes exist in other countries (such as Ireland), the proposal risks creating a significant involvement of the public sector in the real estate market as well as fiscal risks, calling for great prudence in advancing along these lines. The scheme as currently proposed would also raise issues around enforceability, targeting of scope/beneficiaries, and potential overlaps with other instruments. The authorities legislated a three-month extension of the Primary Residence Protection scheme, which was due to expire in April, to the end of July. The decision was taken despite the limited appeal of the scheme and reflected the difficulties faced by the applicants to timely apply due to the outbreak of the pandemic. No modification was introduced with respect to the loans covered by the scheme or to the eligibility criteria. The authorities have also announced their intention to extend the application deadline for the Out-of-Court Workout until the end of July. In order to alleviate the impact on social groups financially affected by the Coronavirus pandemic, the authorities announced a temporary instalment subsidy for mortgage, consumer and business loans secured by a primary residence. The scheme will be open for applications for one month from 1 July 2020 and will be available only to debtors affected by the pandemic. A pre-requisite to the participation in the scheme will be that the concerned loans are restructured in agreement between the banks and debtors. The restructuring offer will be extended by the banks on a discretionary basis. Given the wide perimeter of the eligible loans, it will be essential to include strong safeguards to ensure that only viable loans are restructured and the negative impacts on payment discipline are mitigated. The authorities submitted an action plan and a corresponding legislative proposal for accelerating the clearance of the household insolvency backlog, which has increased further as a result of the suspension of court proceedings. The authorities committed to adopting the provisions required for its implementation by end-May 2020, while asserting that an electronic platform for the replacement of distant

	Commitment	State of play and next steps
		hearing dates by more timely ones can be operational within 45 days from the adoption of legislation. The authorities are taking steps that are considered feasible at the current juncture to implement the four-year action plan for the clearance of the backlog of called guarantees, which remains considerable. Examination and expected payments of claims for the first quarter of 2020 is proceeding according to plan, while the set-up of an e-file repository was improved through secondary legislation in early May. The redeployment of staff and other resources has started, but the processing of claims has slowed in view of the constraints imposed by the pandemic. The authorities intend to speed up to the extent possible the processing of claims in the second half of 2020 compared to the targets, while examining ways to further frontload the payment schedule until 2023. An acceleration of the processing of claims already this year would support the liquidity of the banking sector. The conduct of e-auctions has halted as a result of the closure of the courts and notarial offices but work is ongoing on improving the process going forward. The authorities presented an outline of amendments to the Code of Civil Procedure to address procedural obstacles and impediments, as well as proposals for enhancing the user-friendliness of the e-auctions platform. The necessary legal amendments will be elaborated by the law-drafting committee for the ongoing revision of the Code of Civil Procedure which is due to conclude its work, accompanied by an explanatory report, by end-September 2020, rather than by end-March as originally foreseen.
5	**Labour market.** Implement action plan on undeclared work by end-2019.	The authorities have completed the implementation of the 2017-2019 action plan to fight undeclared work and will now implement a follow-up plan. A road map for the follow-up action plan is expected to be adopted shortly.
*	**Labour markets, product markets and competitiveness.**	The pandemic has started to have a significant impact on the labour market, and the authorities are taking a range of measures to minimise job losses and longer-term

	Commitment	State of play and next steps
		economic damage. In light of the Coronavirus pandemic, the authorities have decided in agreement with the social partners to postpone the update of the minimum wage from June 2020 to January 2021. The authorities continue working towards improving economic framework conditions and boosting competitiveness, despite the shifting priorities and difficulties faced due to the Coronavirus outbreak. With a view to further improving the business environment, the authorities are pursuing complementary actions to cut red tape, help establish clear rules for government-to-business interactions, and increase the predictability of economic transactions.
6	**Justice**. In the context of implementing the Three-Year Action Plan on Justice, implement the electronic filing of legal documents throughout the Courts, having completed the tendering procedure by end-2019.	As part of the project to strengthen e-justice, some progress has been recorded in the transition to mandatory electronic filing and processing of legal documents in civil and penal jurisdictions and in the electronic issuance of court certificates and decisions. While electronic filing has been made mandatory for the administrative branch of the judiciary as of 1 January 2021, it remains optional and is only partially available in civil and penal jurisdictions. A precondition for the generalised and mandatory electronic filing is the acquisition of certified digital signatures by judges, administrative court staff and legal professionals, and the authorities have committed to take facilitating measures to this end.
7	**Investment licensing.** Complete the investment licensing reform, and to this end fully deploy the relevant ICT (end-2019).	The tender for the IT system to support the investment licensing reform, is being delayed by court decisions.
8	**Energy.** With a view to completing reforms in the energy sector, implement the measures agreed as part of the joint assessment on the	Discussions continue on the specifics of the anti-trust remedy, with the aim of presenting a market-testable proposal, a key step in finally implementing the remedy and closing this end-2020 commitment. The goal is for a structural remedy

	Commitment	State of play and next steps
	NOME auction system.	to be able to increase competition at all levels of the market and not to be overly biased towards a specific user profile, thus meeting the anti-trust concern brought about by the Public Power Company's continued exclusive access to baseload power sources. This key commitment, proposed as an alternative to the failed divestiture of two of the company's lignite plants, will be important in opening up the market to competition and encouraging new investment during Greece's energy transition.
*	**HCAP**. The Strategic Plan of HCAP will be implemented on a continuous basis.	Inevitably, the Coronavirus pandemic has affected the functioning of the Hellenic Corporation of Assets and Participations (HCAP) and its portfolio companies and has led to adjustments and/or change of its priorities as well as of the schedule of part of Greece's commitments. While the authorities continue their strong engagement with the Corporation, the adoption of updated Ministerial Guidance, which is needed for the continued implementation of Corporation's strategic plan (a continuous commitment), as well as its planned update to its business plan, will be delayed until the Coronavirus situation has stabilised. Regarding the implementation of the Coordination Mechanism, the mandates of the respective state-owned enterprises were approved by the Cabinet Committee on 12 March, but the finalisation of a statement of commitments regarding each enterprise is not advisable at this juncture, again due to the uncertainty created by the Coronavirus. The Corporation continued improving corporate governance in state-owned enterprises through board reviews and appointments. A key challenge relates to the significant operational and financial issues at Hellenic Post. The pandemic will also limit improvements in the performance of the Corporation's real estate portfolio during 2020, though operational improvements should remain feasible. The Corporations' current priority is ensuring continued operation of public enterprises in key sectors, and health and safety of staff. In this context, the uninterrupted provision of electricity, water and postal services is paramount, as is the safeguarding of business continuity in the public transport systems and central markets in Athens and Thessaloniki. The negative economic repercussions of the Coronavirus pandemic are expected to be particularly severe for the Athens Urban

	Commitment	State of play and next steps
		Transport Organisation and the Hellenic Post.
9	**Privatisation.** The Asset Development Plan will be implemented on a continuous basis. With a view to swiftly attracting investment to support a sustained economic recovery, complete by end-2019 the transactions on Egnatia, DEPA commercial, regional ports of Alexandroupoli and Kavala, AIA shares, EYDAP and EYATH.	The momentum in the privatisation process observed over the previous months could not be maintained due to the Coronavirus outbreak. The pandemic is impacting the implementation of the privatisation programme in many ways, inter alia through difficulties in engaging with potential investors, impacts on asset valuations, reduced administrative capacity to implement necessary actions, and the interruption of construction works. Despite the overall negative commercial environment caused by the pandemic, the Hellenic Republic Asset Development Fund is advancing with maturing actions on its transactions, and the authorities are supportive and are taking the required actions on their side. This will make possible the launching of the next steps in the respective transactions, at a time that the situation normalises. At this stage, the situation regarding the ongoing transactions is as follows: Hellinikon (a specific 2018 commitment): Despite the continued strong engagement of the authorities to complete the conditions precedent to allow the transfer of shares to the preferred investor (Lamda), the financial closing is delayed by complications in the tender process for the award of the casino licence. Following the dismissal of a first appeal, the excluded bidder lodged a petition for annulment along with interim relief measures before the Council of State. The Council of State rejected the petition for interim relief measures on 7 May 2020. This opens the way for a continuation of the tender process though its finalisation will need to await the Council of State decision on the merit of the petition for annulment. The authorities are pursuing steps to address the remaining pending issues. Marina of Alimos concession (a mid-2019 specific commitment): the Cabinet Act authorising the signature of the concession agreement was published in the Official Gazette on 7 April 2020 and the concession agreement was signed by all stakeholders on 13 May 2020. The financial closing of the transaction is set to

	Commitment	State of play and next steps
		follow within 120 days of the signature of the concession agreement. Hellenic Petroleum (a mid-2019 specific commitment): The authorities are yet to decide on the approach to be followed after the failure of the first tender in mid-2019. The Fund is considering all options. However, following the recent significant fall in the capitalisation value of the company, the Fund considered appropriate to delay further the launching of the transaction to a later point of time. Sale of 30% of Athens International Airport (an end-2019 specific commitment): At end-January 2020, nine investment parties were considered qualified to proceed to the binding offers phase. However, due to the impact of the pandemic, the deadline for the submission of binding offers had to be adjusted and the process will resume once the situation improves. Public Gas Corporation – DEPA Commercial (an end-2019 specific commitment) – DEPA Infrastructure (a mid-2021 specific commitment): Good progress was achieved with both tenders attracting strong investment interest. Nine interested parties submitted Expressions of Interest in each of the two international tenders. Their evaluation is underway but the launch of the binding offers phase for both transactions will be delayed due to the Coronavirus outbreak. Egnatia: The authorities have stressed their commitment to proceed with the transaction and took a number of actions in April and beginning of May 2020, including the signing of a Joint Ministerial Decision on key elements of the concession agreement and further administrative steps. Meanwhile the authorities and Egnatia S.A. are expected to proceed with the implementation of all remaining pending actions related to the specification of works for bridges to qualify as safe, the licencing of the tunnels, the completion of the construction of all toll stations and resolution by Egnatia S.A. of the open issues related to the four motorist service stations contracts that have been inactive since 2011.

	Commitment	State of play and next steps
		Regional Ports: Following a long period of delays, good progress has been achieved over the last months, with the Fund given the flexibility of designing the transactions on a case-by-case basis and the initiation of preparatory work on tenders for four ports. However, due to the unfavourable environment, it was considered reasonable to delay the launching of the transactions.
10	**Public administration.** Complete the integrated HR Management System (digital organigram for all public entities and link with single payment authority) by end-2019.	Overall, good progress has been made in developing a Human Resources Management System, including completion of a significant number of digital organigrams and job descriptions. Until mid-March, government entities representing around two-thirds of total personnel had completed digital organigrams, with a link between the job description and jobholder established for 75% of occupied posts. The EU-funded tender on Human Resources System Support Services is expected to be launched by June 2020, while the upgrade of the census database is progressing as an interim solution. The mobility cycle for 2020 has been launched in accordance with new legislation aiming to further improve this reform, notably by strengthening the link between the mobility scheme and the annual recruitment planning. The performance assessment cycle for 2019 has been delayed due to the pandemic, but the authorities are moving ahead with plans to strengthen the assessment framework and link it with the annual action plans of each Ministry and the selection process of managers.

Progress with the implementation of mid-2020 commitments to the Eurogroup (Eurogroup annex 22 June 2018)

	Commitment	State of play and next steps
1	**Tax policy.** Greece will undertake, by mid-2020, 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 by mid-2020.	In the face of the quickly developing Coronavirus pandemic, the authorities were unable to finalise the on-going nationwide property tax valuation exercise in time for the current year's tax assessment cycle. This will postpone the implementation of the wider property tax reform to 2021 and have a small deficit-increasing fiscal effect of approximately €150 million on 2020 revenues. The authorities have committed to reschedule the exercise to autumn with the objective of aligning

	Commitment	State of play and next steps
		property tax values to market prices by January 2021.
2	**Social safety nets.** The set-up of the single pension fund EFKA will be completed by mid-2020.	The authorities have updated their action plan to finalise the setup of the Single Social Security Fund (EFKA). The aim of the plan is a comprehensive digital transformation by the end of 2020 leading to a new operational and institutional setup. The major organisational measures to be completed by end-June 2020 concern the merging of the Supplementary Pension Fund (ETEAEP) into the Single Social Security Fund and the creation and operationalisation of the department for Public Sector Pensions within it. The remaining organisational reforms are the creation of local subsidiaries for farmers and self-employed, which have seen delays due to the Coronavirus outbreak but are planned to be completed four months after operations resume.
3	**Health care.** Greece will ensure the rollout of the primary health care system, in particular by opening all 240 primary health care units by mid-2020.	The roll-out of primary health care had to be suspended given the outbreak of the Coronavirus pandemic. The authorities are working on new tools to protect the population, such as telemedicine, and have expanded the bed capacity through agreements with the private sector. They have also doubled down on efforts to attract medical staff, especially doctors. The roll out of the reform will resume after the current emergency, while existing primary care units are already deployed to respond to the pandemic.
4	**Health care.** Achieve a share of centralised procurement in total hospital expenditure of 30% in mid-2020.	Centralised procurement is ongoing with a focus on the urgent needs of the health system. Central governance of regional procurement is delivering more efficiency, which could be further supported by the re-activation of the Price Observatory. While draft legislation to convert the new central body for health procurement into a private legal entity is still under development, the current emergency is trial-testing some elements of the new system.

	Commitment	State of play and next steps
5	**Justice.** In the context of implementing the Three-Year Action Plan on Justice, phase II of the establishment of the e-justice system (OSDDY-PP) will be completed by mid-2020.	On 15 April 2020 the authorities published the long overdue call for bids for the second phase of the Integrated Judicial Case Management System. The bids are set to be submitted by 26 May 2020 and the competition for the award of the contract will take place on 1 June 2020. The delivery of the contractual project is planned to be completed within 36 months from the signature of the agreement.
6	**Investment licensing.** Greece will finalise inspection legislation by mid-2020.	Work on the implementation of the inspections framework law is progressing though with some delays, to some extent attributable to the Coronavirus outbreak.
7	**Investment licensing.** Greece will finalise the simplification of investment licensing procedures in the agreed remaining sectors (mid-2020).	Work on further simplification of procedures is progressing though with some delays, to some extent attributable to the Coronavirus outbreak. From a governance perspective, further strengthening inter-ministerial coordination will be instrumental in ensuring sustained implementation of the investment licensing reform across all sectors.
*	**Investment licensing.** Greece will revise the nuisance classification (mid-2021, the authorities aim to complete this action by mid-2020).	The authorities aim at concluding the revision of the nuisance classification by mid-2020, well ahead of the mid-2021 specific commitment deadline. Moreover, the authorities adopted legislation to improve the environmental permit process, and are working on secondary legislation for the certification of external inspectors and environmental assessors, due for finalisation by mid-2020.
8	**Cadastre.** Greece will fully establish the cadastral agency and complete 45% of cadastral mapping by mid-2020.	The Coronavirus outbreak has affected the cadastre project, and there is a risk of further delays of the recently updated roadmap if the containment measures persists. A number of workstreams, such as senior management appointments, preparation of the corporate strategy of the Hellenic Cadastre, technical specifications for the archive digitalization strategy and award of the final five contracts are progressing. The recruitment of specialised staff remains a challenge and a legal amendment to facilitate the process was adopted in May. The opening of regional cadastral offices has been suspended and will resume once the situation normalises. The public presentation of all remaining forest maps scheduled to start on

	Commitment	State of play and next steps
		January 2020 and to be gradually completed by June 2020 has been frozen, for reasons not related to the Coronavirus outbreak. This is a matter of concern, as delays in the uploading of the maps risk have an impact on the completion of the cadastral mapping as a whole.
9	**Energy.** The Target Model will be fully launched by mid-2019 (rescheduled to mid-2020).	The Coronavirus outbreak has had an impact on the Greek energy sector, with lower oil and gas prices, with social distancing measures affecting demand patterns and certain technical projects; it has also caused a liquidity problem for market actors given a slowdown in payment of bills. One result of this is that the target model 'go-live' will be delayed, due to issues with implementing a technical project for the balancing market, related to contractors' difficulties in deploying staff as a result of the containment measures. Nevertheless, Greece made progress on several fronts, notably launching the forward market for electricity. The exacerbation of non-payment of bills in the consumer market has threatened a liquidity crisis amongst energy providers, and so far the authorities have responded with measures that aim to ease this pressure without distorting the market. In the mid-term, Greece's timeline for decommissioning lignite plants remains intact for now, and Greece signalled its intentions to put maximum efforts into this project. The Renewable Energy Sources Special Account has also come under a particular strain as a result of lower energy and EU emissions trading prices.
10	**Legal codification.** In view of enhancing legal certainty and access to law through legal codification, the Labour Law Code and Code of Labour Regulatory Provisions will be adopted by mid-2020.	The authorities are seeking to progress with ongoing work on legal codification, despite current disruptions. The Central Codification Committee has been re-established and is expected to have a key role in pushing ahead with the legal codification project. Due to the Coronavirus outbreak, the authorities have slightly delayed their plans to adopt a new codification law for the Labour Law Code and Code of Labour Regulatory Provisions, but are committed to adopting the new codification law by September 2020. The tender for the flagship project to set up the national gateway for legal codification (a mid-2022 specific commitment) is expected to be launched shortly.

	Commitment	State of play and next steps
		The implementation of the Executive State Law is progressing. First, the authorities have adopted a detailed legislative methodology manual and a template for a comprehensive impact assessment, which were prepared with technical support provided by the European Commission, and constitute key tools to enforce the good law-making provisions that came into effect in January 2020. Second, according to preliminary findings, the delegation of signature powers to the non-political level that came into effect in February 2020 is being applied efficiently across the central administration. This entails a major reform at the core of the public administration, and it is estimated that approximately 80% of all decisions taken in each ministry are to be signed off at administrative level.

Complementary commitments undertaken by Greek authorities in May 2020

	Complementary commitment
1	**Better regulation.** Achieve improvements in the regulatory framework for doing business in the areas of construction permits, obtaining access to electricity, registering property, resolving insolvency, accessing credit, protecting minority investors, contracting with the government, enforcing contracts, starting a business, paying taxes, and trading across borders by mid-2021. The first deliverable, concerning the identification of short-term actions to be implemented by June 2020, has been completed.
2	**Labour law.** Improve and modernize the framework for individual labour law, including tackling the issues of highly restrictive overtime rules, unnecessary sectoral differentiation, white collar/blue collar rules, and take account of flexible and home working, as well as implement these measures through secondary legislation, by September 2020.
3	**Justice.** Introduce an action plan for the creation of specialized court chambers for specific categories of cases to improve the delivery of justice, particularly in areas of high economic impact, and introduce the adequate legislation by mid-2020.
4	**Justice.** Enact the new Code of Judicial Staff and present a timetable for the adoption of the New Code for the Organization of Justice and the Status of Officers of the Courts by May 2020.
5	**Justice.** Present an action plan for the Creation of a specialized 'JustStat' unit for data collection and processing to measure and improve the performance of the judicial system by mid-2020; introduce the relevant legislation by June 2020.
6	**Justice.** Present an action plan for the implementation of mediation legislation by mid-2020.
7	**Public administration.** Strengthen the efficiency of the personnel selection system through improving the capacity of the Supreme Council for Civil Personnel Selection (ASEP), including in the areas of competition procedures, scoring classification procedures, temporary staff hiring procedures, and the Council's organisation by end-2022.
8	**Public administration.** Strengthen the hiring control of the public sector through setting an annual ceiling of temporary staff by end-2020, which will be applied from 2021.
9	**Transport.** Adopt and implement the National Transport Master Plan and establish a priority list of projects for railways by June 2020.

	Complementary commitment
10	**Transport.** Revise the legal framework for approving the sustainable urban mobility plans according to best European practices by September 2020. Following this revision, report on the progress of the elaboration of sustainable urban mobility plans for the main urban centres by October 2020.
11	**Management of public real estate.** 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, by September 2020.
12	**Strategic project pipeline.** Fully develop a Strategic Project Pipeline of large infrastructure projects with the objective to better coordinate and monitor future public expenditures and maximize complementarities between private, public and EU funded projects by January 2021.
13	**Project preparation facility.** Develop and fully operationalize an improved support and delivery mechanism for project preparation and implementation to ensure efficiency and quality of both public sector infrastructure projects as well as Public Private Partnerships by March 2021.
14	**Public procurement.** Adopt a new public procurement strategy for 2021–2025 by end 2020.
15	**E-Health.** Develop an electronic Medical Health Record to streamline the use of existing electronic medical record applications and update as necessary the design and use of agreed electronic medical record standard across public (and private) healthcare institutions by end-2020.
16	**E-Health.** Extend the application of the electronic prescription project (2nd phase), including through therapeutic protocols, back-end integrations, artificial intelligence driven inquiries, necessary interconnection with information systems, and enabling electronic request and access to medicine for all outpatients with chronic diseases by end-2020.
17	**E-Health.** Enable the provision of remote health care through the expansion of the capacity of the existing telemedicine network by end-2020.
18	**Health care strategy.** Develop a National strategic policy framework for healthcare by end-2020.
19	**Health care planning.** Map health and long-term care needs with available human and technical resources, and take measures to ensure the efficiency, sustainability, accessibility and affordability of health and long-term care services, as well as promote community-based services, by end 2020**.**
20	**Education.** Enhance the autonomy of higher education by strengthening the accountability and transparency framework and through the introduction of the University Council by end-2020.

	Complementary commitment
21	**Education.** Improve vocational education through the establishment of the National System of Vocational Education and Training by end-2020.
22	**Education.** Introduce internal school-unit evaluations, institutionalize external assessment of schools, and design new curricula for all subjects across all school levels by end-2021.
23	**E-governance.** Develop the single digital portal (gov.gr) to integrate all electronic transactions for citizens and businesses with the state and related information, unify the legal framework on digital policy, and safeguard business continuity by ensuring sufficiency of digital infrastructure mid-2021.
24	**E-governance.** Implement the National Programme for Process Simplification in key policy areas and promote the interoperability of registries, data and IT systems to ease the administrative burden for businesses and citizens by end-2021.
25	**Digitisation of geospatial data.** Develop a State Infrastructures Registry to encapsulate technical and geospatial information about all public infrastructure projects to enable better planning and management of these projects, including for construction and maintenance purposes by end-2021.
26	**Digitisation of geospatial data.** Develop an Integrated Geospatial Data Mapping tool (Single Digital Map**)** to increase transparency to investors concerning land use rules across Greece and reduce unpredictability in relation to investment licensing decisions by end-2021. The first deliverable, concerning the adoption of secondary legislation to define roles and responsibilities of different Ministries and modalities of interaction on this project, has been completed through the issuance of a joint ministerial decision (YPEN/DESEDP/31224/333 (OJ B-1173/06.04.2020)).