

BACKGROUND

**Economic developments and policies in Greece are monitored under the European Semester for economic policy co-ordination and under the enhanced surveillance framework according to Regulation (EU) No 472/2013 (**[[1]](#footnote-1)**).** The implementation of enhanced surveillance for Greece ([[2]](#footnote-2)) acknowledges the fact that Greece needs to continue implementing measures to address the sources or potential sources of economic and financial difficulties, while implementing structural reforms to support a robust and sustainable economic growth.

**Enhanced surveillance provides a comprehensive framework for monitoring economic developments and the pursuit of policies needed to ensure a sustainable economic recovery.** It allows for a regular assessment of recent economic and financial developments in Greece, as well as for monitoring sovereign financing conditions and updates of the debt sustainability analysis. Enhanced surveillance also provides the framework for assessing the general commitment given by Greece to the Eurogroup of 22 June 2018, to continue and complete reforms adopted under the European Stability Mechanism programme and to ensure that the objectives of the important reforms adopted under the financial assistance programmes are safeguarded. In that context, enhanced surveillance monitors the implementation of specific commitments to complete key structural reforms started under the programme, in six key areas by agreed deadlines up to mid-2022, namely: (i) fiscal and fiscal-structural policies, (ii) social welfare, (iii) financial stability, (iv) labour and product markets, (v) Hellenic Corporation of Assets and Participations and privatisation, and (vi) the modernisation of public administration ([[3]](#footnote-3)).

**This is the eighth enhanced surveillance report for Greece.** The report is based on the findings of a mission held remotely on 19-20 October 2020 and regular dialogue with the authorities. The mission was conducted by the European Commission in liaison with the European Central Bank ([[4]](#footnote-4)); the International Monetary Fund participated in the context of its Post-Programme 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. The current report assesses the implementation of Greece’s commitments to the Eurogroup regarding reform completion up to mid-2020.

**This report could serve as a basis for the Eurogroup to decide on the release of the next set of policy-contingent debt measures worth €767 million.** These measures were agreed with the Eurogroup on 22 June 2018 and include the transfer of income equivalent amounts stemming from central banks’ holdings of Greek government bonds under the Securities Markets Programme and the Agreement on Net Financial Assets and a waiver for the step-up interest margin for certain loans provided by the European Financial Stability Facility. The third tranche of policy-contingent debt measures was released following the Eurogroup on 11 July 2020, inter alia based on the assessment of the implementation of Greece’s commitments for end-2019 included in the enhanced surveillance report adopted by the Commission on 20 May 2020 ([[5]](#footnote-5)) and considering the extraordinary circumstances posed by the coronavirus outbreak.

OVERALL ASSESSMENT

**This report was prepared at a time when most Member States face a resurgence of the pandemic.** In spite of the recent surge in infections, Greece has to date managed to contain the spread of the coronavirus comparably well, also thanks to a timely response in regions facing an increase in the number of new cases. The authorities are strengthening the preparedness of the health-care system and expanding the testing capacity, while at the same time expanding and adapting the set of fiscal and liquidity measures aiding persons and businesses affected by the pandemic. These measures help cushion the social and economic cost of the pandemic, but according to the Commission 2020 autumn forecast, the Greek economy is still expected to suffer one of the largest falls in economic activity in the EU, on account of its high exposure to tourism and the large share of small enterprises, which have a limited adjustment capacity. The three-week national lockdown announced on 5 November, and its potential prolongation depending on the evolution of the pandemic, could weaken the near-term outlook more than currently assumed.

**Despite the very challenging circumstances, which necessitated a focus on more immediate priorities, Greece has significantly stepped up the pace of reform implementation in the past months.** Most importantly, the insolvency code has been adopted in the Parliament. This is a major reform of the insolvency framework, which is expected to facilitate the resolution of key challenges in the financial sector. The authorities are currently preparing secondary legislation, which will define important aspects of the new framework, and are in parallel developing the infrastructure, both of which are necessary for the code’s effective implementation as from 1 January 2021. A long-standing bottleneck to the human resources reform of the Independent Authority for Public Revenues is being addressed through the agreement to go ahead with its supplementary wage legislation, which will enhance its capacity to attract and maintain high calibre staff. The authorities are also advancing on a number of flagship privatisation transactions, although others are delayed due to the pandemic.

**Furthermore, good progress has been made in the fields of:**

* **Fiscal-structural reforms**, with the completion of the Treasury Single Account system, a major public procurement reform to be adopted by the end of the year, progress on reforms to speed up the implementation of public investments, and positive developments on arrears clearance, which will need to be sustained;
* **Public administration**, with steady progress on the modernisation of human resource management and the entry into force of a uniform selection process for senior management posts at public sector entities. The authorities have also progressed with the implementation of their ambitious digital agenda.
* **Energy**, where the launch of the Target Model for the electricity market took place on 1 November 2020, fulfilling a long-standing commitment.

**The authorities also established clarity on the way forward in areas, where full completion of existing commitments was out of reach due to previous delays or the impact of the pandemic.** The authorities restarted the collection of health expenditure under the clawback and agreed to finalise the primary health care legislation by the time of the 10th report, while adequately delivering on the principles of the 2017 reform, which has not been fully implemented yet. Clear timelines have been established also for the investment licensing reforms monitored under enhanced surveillance, while steady progress has been seen on the implementation of the road map for the cadastre project. The authorities also agreed to restart two specific reforms that have been significantly affected by the coronavirus outbreak, namely the nationwide reassessment of property tax values and the completion of the activation element of the Guaranteed Minimum Income scheme. A final proposal for the anti-trust remedy related to the Public Power Corporation’s lignite generation has been submitted to the Commission and is expected to be market tested as soon as the authorities provide their final authorisation. The staffing target set for the Independent Authority for Public Revenue is not being met but the authorities confirmed that ongoing hiring procedures at the Ministry of Finance would not have an adverse impact on the Authority’s capacity.

**The efficient and appropriate use of funds available under the Recovery and Resilience facility could help the Greek economy recover from the current crisis and address the challenges it continues to face, despite the progress achieved.** Persistent reform efforts to address the remaining vulnerabilities are of the essence. The significant funds that Greece is entitled to receive via the Recovery and Resilience Facility, if used efficiently and appropriately, can support growth, job creation and the twin transitions in the coming years. Reforms and investments, as part of the upcoming recovery and resilience plan, are expected to build on and complement past and ongoing reforms in the context of the enhanced surveillance process.

**This report concludes that in spite of the adverse circumstances caused by the pandemic, Greece has taken the necessary actions to achieve its due specific commitments.** The unprecedented events have led to a sharp economic downturn and to a standstill, in the first half of the year, on a number of reforms in view of the need to address more immediate priorities. Nonetheless, the authorities managed to restart the work on the commitments in the past months and delivered on a number of fundamental reforms. The European institutions welcome the close and constructive engagement in all areas and encourage the authorities to keep up the momentum and, where necessary, reinforce the efforts to quickly complete the implementation of recently adopted primary legislation. This is in particular the case with the financial sector reforms, where a large body of secondary legislation is to be completed and adopted shortly.

MACROECONOMIC DEVELOPMENTS

**The coronavirus pandemic is taking a strong toll on the Greek economy.** The economy contracted by -14.2% in the second quarter of 2020 as economic activity was constrained to stop the spread of the pandemic. The services sector was hit particularly hard also during the summer season due to the importance of international tourism. While the increase in the unemployment rate has been relatively muted so far, partly on account of the protection schemes put in place timely by the authorities, employment has suffered more markedly in view of the lower demand for seasonal workers. The slack in the economy, as well as falling energy prices, are expected to lead to a temporary decrease in consumer prices in 2020.

**As the number of new coronavirus cases continues to rise, the recovery is likely to be somewhat slower than previously expected.** According to the Commission 2020 Autumn Forecast, real GDP is expected to decrease by 9% in 2020 and grow by 5% in 2021. The projections factor in only a gradual increase in demand for tourism services, more cautious consumer spending, and persisting uncertainty and lower profits in the corporate sector. The authorities have adopted a large amount of measures to cushion the economic impact of the containment measures in 2020 as well as measures stimulating aggregate demand in 2021. These projections were finalised before the announcements of the 3-week lockdown on 5 November 2020 and the relevant support measures ([[6]](#footnote-6)).

**Uncertainty and risks surrounding the outlook are very high, due to the uncertain developments of the global health crisis.** The increasing stringency of the restrictions already implemented in Greece and in other European countries could negatively affect the short term outlook. Additional restrictions on the movement of persons and goods in the coming months in Greece, but also abroad – in view of the importance of international tourism – remain a substantial source of uncertainty. Further downside risks are represented by the heightened geopolitical tensions in the region and sustained migration pressures. On the upside, the support measures adopted at EU level, including Next Generation EU, could significantly support demand in 2021 and strengthen economic fundamentals and resilience going forward. More specifically, the Commission forecast does not incorporate the impact of the Recovery and Resilience Plan as it is still at an early stage of development. Once fully specified, adopted and implemented, the reforms and investments implemented under the Plan are expected to have a positive impact on the growth outlook.

FISCAL DEVELOPMENTS AND OUTLOOK

**The fiscal impact of the economic downturn and the cost of emergency measures adopted to address the coronavirus outbreak are expected to result in a large fiscal deficit this year.** The primary balance monitored under enhanced surveillance is forecast to reach ‑4.4% of GDP in 2020. Apart from the shortfall in revenues triggered by the recession, the projection takes into account the prolongation of measures already adopted by the authorities to cushion the downturn in recent months. These include an increase in the total envelope of the ‘repayable advances’ to companies and extensions of existing support measures for both the unemployed and employees of companies affected by the pandemic. The forecast also takes into account a retroactive payment to pensioners following the July 2020 Court of State ruling, for a short period before to the entry into force of the 2016 pension reform.

**Greece’s fiscal policy is expected to continue to support the recovery throughout 2021.** While most of the measures taken in 2020 have targeted the direct impact of the pandemic (health care expenses, support for the lock-down period, tax deferrals etc.), authorities have also announced temporary measures to more broadly stimulate demand and employment in 2021. These include a three percentage points reduction in social security contributions and a suspension of the social solidarity tax for the private sector, and a new temporary recruitment subsidy. These measures go in the right direction as to reduce the high tax wedge on labour and their temporary nature is consistent with the objective of ensuring sustainability of public finances in the medium term. The fiscal policy setting planned for 2021 takes into account the continued application of the General Escape Clause in 2021.

**The 2021 Draft Budgetary Plan expects the primary deficit monitored under enhanced surveillance in 2021 to reach 1.1% of GDP.** The authorities’ projection takes into account the new measures, a special reserve, which could finance immediate needs that might arise from the evolution of the pandemic and an ambitious 7-year defence-spending programme. The authorities’ projection is more optimistic than the Commission 2020 autumn forecast, which expects a primary deficit of 3.4% of GDP in 2021. However, a large part of the difference is due to methodological assumptions on (a) the afore-mentioned recording of some of the emergency measures, the rules of which were clarified only after the presentation of the Draft Budgetary Plan, and (b) the inclusion of the Recovery and Resilience Facility in the authorities’ macroeconomic scenario ([[7]](#footnote-7)). Apart from these, the Commission forecast is more cautious regarding the closure of the deficit in the Renewable Energy Source account assumed in the Draft Budgetary Plan, as the policy action delivering this improvement is yet to be specified, and takes a more gradual view on the implementation of the new defence programme.

**Progress towards completion of the nationwide reassessment of property tax values has slowed down; this was a mid-2020 specific commitment, whose finalisation has now been rescheduled for mid-2021.** Inevitable delays occurred earlier in the year due to the coronavirus lockdown and further delays have taken place owing to the quality assessment required by successful appeals to the Council of State. The reassessment and expansion of the existing value zone system is now planned to be finalised in March 2021, in time for the property tax assessment of August 2021.

**The inherent uncertainty in the current assessment and forecast is substantial: a further escalation of the health crisis could trigger the need for additional fiscal measures, which should be both of a targeted and temporary nature, to contain the fallout and bolster the recovery in 2021.** Additional risks relate to the activation of state guarantees that have recently been issued, which were part of the set of emergency measures. Further risks refer to the cost of ongoing litigation cases and remaining public service obligations, which could deteriorate the balance when agreed. The uncertainty with respect to the full extent of the retroactive compensation for cuts in supplementary pensions and seasonal bonuses introduced by previous pension reforms remains, as the 2020 Council of State ruling has not yet been published. Finally, an additional risk stems from the potential additional cost of the coverage of individuals without health insurance. On the positive side, Greece is expected to greatly benefit from the Recovery and Resilience Facility, which aims to support a sustainable economic recovery by providing large-scale financial support to growth-enhancing reforms and investments.

SOVEREIGN FINANCING and Debt Sustainability Analysis

**Greek sovereign yields remain low and the government’s cash buffer is close to pre-crisis levels.** The authorities have recently successfully completed the issuance of a 15-year bond. The yield spreads of the long-term Greek sovereign bonds remain at historic lows. The general government cash reserves now stand at €34.5 billion (end of September), with the cash buffer account balance unchanged at €15.7 billion. The overall general government cash reserves would be sufficient to cover around two years of financing needs even without further bond issuances.

**The European institutions have carried out a comprehensive revision of the debt sustainability framework, as announced in the 5th enhanced surveillance report.** The revised framework includes a baseline scenario, which is aligned with the Commission’s framework applied to assess the debt sustainability for all Member States, and a country-specific scenario analysis. The revision makes use of market-based indicators that are readily available and well understood and makes the assumptions more consistent with market expectations for the short and medium-term. The revision also takes into account long-term growth and interest rate assumptions from the 2021 Ageing Report. The scenario analysis captures risks that are particularly relevant for high debt countries like Greece.

**Despite the deteriorated short-term outlook, the baseline scenario shows a return to declining debt-to-GDP ratio.** In the short run, public debt is projected to increase from 180.5% of GDP in 2019 to over 207% of GDP in 2020. However, as the emergency fiscal measures taken during the pandemic are expected to be temporary and the economy is projected to start recovering in 2021, the debt-to-GDP ratio is expected to follow a declining trend as from 2021. The government gross financing needs are expected to hover around 15% of GDP for the next 20 years, before decreasing to about 13% of GDP by 2060. The results of this baseline simulation are mainly supported by the assumed favourable financing conditions, the large share of debt that is financed at low rates by official lenders and the long average maturity of the outstanding debt.

**The two alternative scenarios suggest that higher refinancing rates would deteriorate the outlook, and more so if combined with low growth, underlining the importance of proceeding with an ambitious growth agenda.** The baseline assumptions are subject to uncertainty, which is increasing over the projection horizon. Financing conditions could turn out less favourable than assumed, in particular beyond the medium-term. Under the higher risk premium scenario, which links risk premia to the level of debt in the medium and long run, the debt ratio while on a declining path, remains significantly higher than in the baseline projections. The gross financing needs are also higher and remain marginally below 20% of GDP in the long term. In a scenario in which GDP growth is lower than in the baseline, in addition to the existence of a higher risk premium, the debt level remains high in the long run and gross financing needs exceed 20% of GDP from the mid-2030s, thus signalling residual sustainability risks. Under that scenario, growth would remain below that of the euro area in the long term, which highlights the importance of delivering on the growth agenda for which a draft was prepared by the ‘Pissarides Commission’ and published by the authorities in August 2020. The Recovery and Resilience Facility represents an opportunity for increasing potential growth through investments and reforms.

PUBLIC REVENUE ADMINISTRATION

**The supplementary wage grid legislation for the Independent Authority for Public Revenue, which is a key step towards completing its human resources reform, has been published for public consultation and is expected to be adopted by end-November 2020.** The reform is expected to strengthen the Independent Authority’s ability to maintain and attract new high-calibre staff, which at the end of the third quarter remained well below the staffing target set for end-2019 (11 947 compared to 12 500). The authorities have confirmed that ongoing hiring procedures at the Ministry of Finance will not have a negative impact on the Independent Authority’s overall capacity. It is expected that the overall human resources reform will become operational by 1 January 2021.

**Further progress has been reached to strengthen the anti-smuggling framework.** The draft law has been published for public consultation and is expected to be adopted by November 2020. The draft law includes provisions to enhance the capacity of the Operational Coordination Centre, which coordinates anti-smuggling efforts, and is part of the Independent Authority for Public Revenues. The adoption of these provisions are expected to further facilitate its staffing.

**Overall, there is good progress in meeting the targets set on the key performance indicators, including on debt collection, while work to further enhance the Independent Authority’s collection and audit capacity continues**. A number of indicators has fared better than expected in the current circumstances, partly on account of the discounts provided for a timely payments of tax debts that were introduced after the pandemic outbreak.

**The authorities have adopted a number of specialised arrangements to settle tax liabilities that emerged during the pandemic.** These new schemes relate to the tax deferrals that were put in place at the beginning of the pandemic and facilitate the re-entry to settlement plans for payments that were interrupted during the pandemic, in view of the strict penalties that would otherwise apply under the framework agreed in 2019. In addition, a ‘second chance’ has been created also for settlement plans that had been agreed before the entry into force of the 2019 settlement framework. The scheme is yet to be made operational and is expected to subject the debtors to appropriate scrutiny of the reasons for their termination and compliance history. In relation to the state guarantees that had been called by banks and are currently being processed and paid by the state on behalf of the original debtors (see the financial section), the authorities have also created a settlement scheme that would allow the debtors to repay these to the state in up to 120 instalments. With a view to upholding payment discipline, the authorities have clarified that the drop-outs from this extraordinary scheme would not be eligible to join other settlement schemes and would therefore be subject to enforcement. The conduct of these enforcement efforts will be closely monitored.

PUBLIC FINANCE MANAGEMENT and Public investments

**The stock of arrears has decreased since the last report but sustained efforts are required to meet the ambitious target for the end of the year.** While the stock of arrears remains above the levels envisaged in the October 2019 action plan, the slippages created in early-2020 also due to the pandemic have been recovered, except for the backlog of unprocessed pension claims, where the automatic processing and awarding of pensions is expected to deliver fully only next year. The zero arrears target for the end of 2020 in all sectors except for pension claims has been confirmed by the authorities, but remains subject to risks, including in relation to the resurgence of the pandemic. In view of the unforeseen increase in applications for pensions, which was triggered by legal and technical factors, the full clearance of pension claims is expected by December 2021.

**While the stock of arrears decreases, new arrears continue to be created, which underlines the importance of implementing the Hellenic Court of Auditors recommendations, a mid-2021 specific commitment, amongst which strengthening the internal control system is key.** Reinforcing the internal control system would also be key for the sound management of the projects to be funded through the Recovery and Resilience Facility. A law setting out the conceptual framework for internal control is planned to be adopted by the end of the year. The challenge lies now in achieving the full implementation of its public finance management component across the public administration as well as ensuring its effective supervision by the Ministry of Finance. The reform will benefit from recent steps taken by the Hellenic Court of Auditors and, in the medium term, the simplification of the framework for budget execution and the payment procedure, which has recently started.

**The mid-2020 specific commitment on establishing the Treasury Single Account system has been successfully completed.** The Treasury Single Account system is operational and offers an overview of the cash situation of the state as well as an efficient liquidity-monitoring tool. The Ministry of Finance has set up a dedicated tool for the monitoring of the entities’ cash forecasting, which will be gradually rolled out.

**The Chart of Accounts reform, including mid-2021 and mid-2022 commitments, is overall on track and its implementation in the Public Investment Budget is starting to advance.** Following the implementation of the administrative classification in the ordinary budget in 2019, a functional classification of accounts is currently being designed, along with the performance budgeting framework. These are welcome and ambitious reforms. The full implementation of the Chart of Accounts in the Public Investment Budget is starting to gather momentum. The steps taken to ensure its interoperability with the central IT system, due to be completed by March 2021, are expected to substantially speed up the payment process. This will also significantly reduce the scope for creating arrears. The implementation of other measures, including the e-invoicing application for public procurement and upgrading the central payment system for the ordinary budget, are broadly on track.

**The authorities plan to adopt a major public procurement reform by the end of the year.** The reform builds on the experience with implementing the rules put in place in 2016 and aims to address, among others, the high observed number of single bid procedures or contracts awarded exclusively based on the lowest price offered. It also further streamlines the still lengthy award procedures.The reform is crucial for ensuring a quick absorption of available financial resources and supporting the recovery. In parallel, the authorities are proceeding with the digitalisation of the procedure and are preparing a public procurement strategy for 2021‑2025, which is expected to support the green transition and strengthen the fight against corruption.

**In anticipation of the large amounts of funds that Greece is expected to receive under the next Multiannual Financial Framework, the authorities are putting in place a Strategic Projects Pipeline for the selection of large infrastructure projects and are progressing with setting up of a Project Preparation Facility.** The Strategic Projects Pipeline will facilitate the selection of projects of national importance and will be coordinated at the level of the Presidency of the Government, outside the core structure of the line ministries. The Project Preparation Facility is expected to accelerate the preparation of projects included in the Strategic Projects Pipeline, to take them efficiently from a concept stage to an implementation stage. The Facility will is be established within the Hellenic Republic Asset Development Fund, where appropriate safeguards will be put in place to ensure that the Fund will continue to independently exercise its existing core mandate. The Facility will be supported by an international financial institution as a strategic partner. The action plan to enhance the monitoring and forecasting of the Public Investment Budget is broadly on track.

SOCIAL WELFARE

**The authorities are making good progress in finalising the organisational and institutional setup of the Single Social Security Fund (e-EFKA), an end-2020 specific commitment.** The merging of the public sector and supplementary pension functions has already been implemented including the physical move of offices; the remaining move concerns the employees of the former farmers fund (OGA), which is expected to be fully completed by the end of the year. The digital processing of pension applications has also progressed according to targets. The pace of processing is expected to slow down until March 2021 due to data availability issues but should accelerate again thereafter.

**Greece is strengthening the preparedness of the health-care system for the current health emergency, and the implementation of a fully-fledged and effective primary health care, which is a specific commitment, is proving key in that respect.** More than 160 health care centres can now receive patients with coronavirus symptoms and additional outpatient clinics have been set up in the area of Athens. The authorities are also enhancing the testing capacity and proceeding with new necessary recruitments. Concerning the roll-out of the primary health care reform, which started in 2018, the authorities plan to extend patients’ registration through the health care centres in the short term, while granting them wider freedom of choice amongst providers. Utilising fully the medical e-record, which is not fully operational at present, would be key to countering the risk of duplicate visits and cherry-picking by patients under this framework. The gatekeeping function will likely be implemented through incentives, which is a softer tool compared to what was legislated in the 2017 reform, and would require careful design. The authorities committed to finalise the new legal framework by the time of publication of the 10th enhanced surveillance report due in mid-2021. It is welcome that the authorities put on hold the return to the pre-reform mode of provision of primary health care through private doctors (which was based on a ‘fee-for–service’ system, paired with a cap of 200 visits), which has been proved to limit access to health care for vulnerable patients.

**Clawbacks are still high but steps are being taken to improve their collection and to curb the generation of new ones.** The authorities adopted legislation to enable the collection of the 2019 clawback for the pharmaceuticals and to start the collection of the providers’ clawback for the years 2018 and 2019. The authorities are making incremental steps to tackle the supply-driven overconsumption of health services, which puts strain on the health care system and increases the financial burden on patients, including putting in place additional therapeutic protocols and stepping up the emphasis on price negotiation. However, deeper revisions appear necessary to effectively counter supply-induced demand. At present, the authorities are not considering introducing an element of risk sharing in the definition of the clawback, which would increase the incentives to implement structural measures.

**Centralised procurement for health care expenditure, a mid-2022 specific commitment, is moving forward despite the current situation.** The authorities are progressing towards the implementation of this target, with an intermediate goal of 30% to be centrally procured by the first quarter of 2021. The authorities have also agreed to re-activate the price observatory from January 2021 and to adopt the new legal status of the National Central Authority of Health Procurements by the end of 2020.

**The implementation of specific commitments on the transport subsidies and disability benefits reforms is overall progressing according to the agreed timelines, while the completion of the activation element of the Social Solidarity Income scheme needs to restart.** For what concerns transport subsidies, a mid-2020 specific commitment, the secondary legislation to allow a regular and objectively-based reimbursement of subsidised public transport tickets for vulnerable groups including disabled persons and members of large families has been adopted in October 2020, while the secondary legislation setting compensation levels for main transport operators is under preparation. A policy paper for the review of disability benefits, a 2021 specific commitment, is being finalised and a pilot project is to be launched in March 2021. However, with respect to the provision of labour market reintegration services for the beneficiaries of the Guaranteed Minimum Income scheme, the plans to assess the findings of the 2019 pilot project undertaken in a number of municipalities so as to guide its national implementation stalled following the coronavirus outbreak. The authorities plan to launch the nationwide rollout in April 2021.

FINANCIAL SECTOR DEVELOPMENTS

**While the accommodative monetary policy conditions have allowed Greek banks to benefit from favourable liquidity conditions, the economic effects of the pandemic are expected to squeeze banks’ already low profitability going forward.** The temporary relaxation of collateral requirements for Eurosystem credit operations and conditions for targeted longer-term refinancing operations have allowed banks to increase their cash buffers. This was further supported by an increase in deposits since March, driven mainly by corporates seeking to accumulate liquidity amidst the pandemic and underpinned by a less pronounced but steady upward trend in household deposits. In terms of profits, banks’ return on equity continued to be one of the lowest in the euro area in the first half of 2020 and it is expected to come under additional pressure due to high loan loss provisions, the uncertainty related to new corporate lending next year and the mixed impact of ongoing securitisations of non-performing loans, which – beyond the positive effect on the banks’ cost-of-risk – will weigh on their net interest income. Low profitability coupled with the cost of upcoming securitisations and the gradual phasing out of transitional prudential arrangements may pose challenges for the banks’ capital position while reliance on state-related assets is set to increase. Banks’ average Common Equity Tier 1 ratio on a consolidated basis stood at 14.7% of risk-weighted assets at the end of June 2020, above the minimum capital requirements.

**The reduction of non-performing loans continued in the first half of 2020, albeit at a slower pace than earlier, and was supported by bank moratoria on loan repayments, which are set to expire at the end of the year.** The non-performing loans ratio continued on a gradual downward path and reached 36.7% in June 2020, remaining the highest in the euro area. Debt payment moratoria, coupled with the temporary supervisory flexibility in place, have been instrumental in shielding so far the banks’ balance sheets from the impact of the pandemic on the credit risk of their loan book. However, the large share of the banks’ performing loans under moratoria points to a significant risk of increased provisioning needs after they expire and a deterioration in the corresponding asset quality ratios,while the banks’ internal capacity to viably restructure loans remains a challenge. Banks have started to adjust their non-performing loan reduction strategies but loan loss provisions booked so far might only partially capture the eventual effect of the pandemic on banks’ asset quality. A key element of the banks’ strategy to tackle non-performing loans remains to move ahead with the securitisations under the Hercules scheme, which are expected to be concluded in the first half of 2021.

**The authorities successfully implemented or extended support measures to sustain access to finance for coronavirus affected businesses.** The Hellenic Development Bank is implementing a guarantee scheme and an interest subsidy for new corporate loans, which appear to be successful in supporting bank credit to large corporates and, more recently, also to small and medium-sized enterprises. As a result, the annual rate of growth in bank credit to non-financial corporations reached 8.3% in September 2020, the highest value attained since mid-2009. By contrast, lending to households has continued to contract, albeit at a more moderate pace relative to recent quarters. Nominal lending rates continued their downward trend, stabilising near historical lows for non-financial corporations.

**The actions outlined below are monitored and assessed as part of the continuous commitment in the area of financial policy:**

* **Following the adoption of the new Insolvency Code, the authorities are preparing the secondary legislation and the necessary infrastructure.** The code foresees the adoption of about 53 administrative decisions, which is a challenging task. In view of the entry into force of the Code in January 2021, the authorities aim at completing the process incrementally – along with the development of the underlying electronic platform – by the end of December 2020. Work on the key ministerial decisions on the loan subsidy, sale and leaseback mechanism and the algorithm for the computation of restructuring proposals will receive priority and the authorities committed to share advanced drafts with the European institutions by mid-November. The new insolvency framework is a major step forward and its effectiveness will depend on the quality of its implementation. Close monitoring will be required in particular as regards the impact of the new out-of-court workout mechanism, as well as the fiscal and financial effects of the new sale-and-lease-back scheme and the one-year pre-discharge period foreseen in certain cases. It is crucial that the entire legal framework, including secondary legislation, as well as the necessary infrastructure are in place in time for the new Insolvency Code’s entry into force, so as to ensure the successful operationalisation of the new framework and avert any unintended negative effects on the financial sector and payment culture in general.
* **The authorities have adopted a set of new provisions to enable the processing of the long-standing backlog of household insolvency cases.** The law establishes a fixed time schedule for advancing distant hearing dates.The authorities expect that the rescheduling and the submission of all relevant documentation will have taken place by the third quarter of 2021, which would allow courts to process all cases by April 2022. Given that the implementation will depend on the case-processing capacity of individual courts, close monitoring is warranted. The success of these provisions will depend on the authorities’ ability to address staff shortages and overcome infrastructure challenges.
* **The authorities have also adopted the first set of measures aimed at enhancing the functionality and user-friendliness of the e-auctions platform.** The measures facilitate electronic sharing of relevant documents through the e-auctions platform. Regarding further identified issues, mainly related to the mechanism for adjusting the reserve price and the interoperability of the e-auctions platform with other state databases, the authorities confirmed that they would be considered in the context of the Code of Civil Procedure review. The draft of the revised Code will be completed in early 2021, somewhat later than initially foreseen but in time ahead of September 2021, when it is due to enter into force. The authorities committed to submit a progress report in November 2020.
* **The implementation of the agreed plan for the clearance of called state guarantees is on track, while the backlog of called guarantees remains considerable.** The examination and payment of claims for the third quarter of 2020 has accelerated, following the shortfalls registered during the lockdown. Following the change of the relevant legal framework at the beginning of June, the electronic files repository is now operational, while interoperability with local tax offices is in its testing phase. The authorities are also recruiting 30 employees, who should become operational in November. These important steps are expected to ensure the envisaged significant acceleration in the clearance of called guarantees during the remainder of 2020.
* **A limited amendment of the primary legislation on deferred tax credits has been voted in September to safeguard the loss-absorbing capacity of the banks’ capital in all cases, including resolution.** Work is ongoing on further technical aspects in the form of secondary legislation, in order to operationalise all aspects of the framework, including in the context of resolution and special liquidation.

**The Hellenic Financial Stability Fund continued its efforts to support the systemic banks in view of the challenges brought about by the pandemic.** The Fund supported the systemic banks in the preparation of their updated non-performing loan reduction plans and their corporate transformations (hive-downs). The Fund also is in the process of revisiting its shareholder expectations by taking into consideration the various effects stemming from the pandemic.

LABOUR MARKET

**The Greek labour market has proved particularly resilient in the wake of the coronavirus outbreak, but the extended duration of the pandemic poses serious risks to employment, which necessitates the further strengthening of active labour market programmes**. The swift adoption of emergency measures aimed at supporting businesses and protecting jobs contributed to the observed labour market resilience. As the pandemic prevails, however, restructuring in the most affected sectors may become unavoidable. A well-performing public employment service and an effective system of active labour market policies are needed to support such restructuring processes and avoid a surge in unemployment. While some active labour market programmes are being strengthened, the overall system continues to suffer from capacity constraints, which, coupled with disruptions caused by the pandemic, have led to delays with ongoing reform implementation. In particular, there has been limited progress regarding the adoption of a new delivery model of policies and the systematic provision of labour market reintegration services to Guaranteed Minimum Income recipients.

**The government has presented proposals to modernise several aspects of the labour legislation.** The legislation, currently under consultation with the social partners, foresees substantial changes modernising, amongst others, the rules concerning working time and annual leave, employment protection legislation, dismissals and trade union law. They further provide for an extension of paternity and parental leave and the institutionalisation of telework, bringing national labour legislation closer to EU best practices. The codification of the labour legislation, an end-2020 specific commitment, has been delayed by the pandemic but is still expected to be adopted by the end of 2020.

PRODUCT MARKETS AND COMPETITIVENESS

**The authorities are advancing with most mid-2020 specific commitments under investment licensing and remain committed to implementing a widened reform agenda.** The authorities are expected to submit for public consultation by end-November a bill that will simplify licensing procedures in most sectors that have not been reformed thus far, and developed a timeline to fully complete the simplification of investment licensing procedures in all remaining activities by June 2021. In parallel, they continue to simplify and fine-tune areas related to sectors already reformed. In the area of inspections, all starting tools in the three agreed priority areas are expected to be swiftly put in action, in tandem with the full roll-out of training. Remaining elements to ensure effective enforcement and compliance on these areas are expected to be fully addressed by April 2021, in parallel to the roll-out of the inspections framework in the remaining four areas, which is expected to be completed by end-2021. The successful completion of the remaining work critically depends on the timely inputs by all ministries involved and the commitment of all stakeholders. The full deployment of the relevant IT system, which is critical to support the new investment licencing framework, continues to be delayed due to legal challenges.

**The authorities are advancing with the implementation of key business environment reforms initiated under the programmes.** Progress has been made on certifications for external environmental assessors and inspectors as well as on the legal framework concerning tourism, with a view to aligning it with the principles of the investment licensing reform. Work continues to further ease doing business. In addition to notable improvements in the frameworks of insolvency and dispute resolution, and an upcoming reform of public procurement (see above), the authorities improved and accelerated the refund process for the value added tax. Key interventions scheduled by March 2021 aim to streamline and accelerate administrative processes, including those related to building permits, business start-ups, electricity connections, and registering property. Moreover, with technical support from the Commission provided through the World Bank, the authorities are designing additional measures in key areas. The government has also taken further steps to reform product markets and improve market surveillance. A bill submitted to Parliament early November aims, among others, at ensuring fairness and transparency for business users in the area of e-commerce, while allowing for more effective market surveillance mechanisms and control of illegal trade, as well as for an extension of Sunday retail trading to shops and open markets under certain conditions.

**Despite progress with setting up a new strategy on promoting trade and foreign direct investment, institutional arrangements remain incomplete, which hampers efforts to increase extroversion and leverage Greece’s potential in key sectors and export markets.** The new strategy of the Ministry of Foreign Affairs expected to strengthen the country’s export potential and facilitate inward foreign direct investment, is yet to be published. Putting in place necessary governance structures would be key to proceeding swiftly with the adjustment of the roadmap to reflect new priorities, and pursuing further simplification efforts, including at pre-customs level. Meanwhile, the authorities are progressing with digital initiatives to support e-commerce and the tendering of export promotion projects, notably of the integrated Single Window system that will automate imports and exports procedures, which was launched in October.

# The authorities have progressed in the area of forest maps and cadastral mapping. Regarding the forest maps, 80% of the remaining ones have been prepared by October 2020 and will start gradually to be uploaded for public consultation. The authorities committed to upload all the remaining maps by December 2020 and the ratification of all forest maps will be completed by July 2021. While the original target of 45% coverage of cadastral mapping had to be delayed to December 2021 due to the pandemic and other technical difficulties, the authorities will submit to Parliament a bill with a view to accelerating the collection of the remaining rights, scheduled to be adopted in November 2020. By October 2020, 35% of the cadastral maps have been completed. The tender for the digitisation of mortgage deeds is ready to be launched, when financing is secured.

# The cadastral agency is expected to be fully operational by end-2021, in line with the roadmap for the cadastre project. This is later than envisaged under the original mid-2020 commitment and reflects delays encountered due to the pandemic but also earlier on. The appointment of the management team has been completed and the recruitment of the migration team, a team necessary to implement the transition from the mortgage offices to the cadastral offices, is progressing smoothly.

**A major energy market reform was achieved as the Target Model, a mid-2020 specific commitment, went live on 1 November, which is a big step towards Greece fulfilling the obligations of the EU energy acquis.** The new format of the markets, with separated day-ahead, intra-day and balancing elements is expected to allow for better price discovery and wider participation and market access of different services. The new market design is compatible with other EU markets, allowing for the future coupling with the neighbouring markets of Italy and Bulgaria. Efforts to ensure that distortions in the wholesale market are completely removed, and that the market is effectively monitored in view of the market power of the incumbent and is brought fully in line with the EU energy acquis will be important.

**The authorities submitted on 23 October a final proposal for an anti-trust remedy related to the Public Power Corporation’s lignite generation, constituting a key step towards fulfilling this specific commitment.** However, the Commission is still waiting for final authorisation from the authorities to start carrying out a market test of the proposed remedy, so that the measures can be implemented in the market in 2021. The implementation of the remedy would fulfil the specific commitment and comply with a longstanding ruling by the EU Courts. Considering the very tight timeline for the implementation of the remedy, the European Institutions encourage the Greek authorities to cooperate more effectively during the next reporting period.

**Progress has continued in other areas of the energy policy, while a sustainable approach is needed to address the Renewable Energy Sources Account’s structural deficit.** There are growing concerns about the balance of the Renewable Energy Sources Account and given Greece’s ambitions for increasing renewables’ uptake, it is important to find a predictable and robust approach, not reliant on ad-hoc interventions and fully consistent with EU legislation. This includes safeguarding the level and conditions to renewable energy projects that have been granted support. Greece’s decommissioning of lignite plants continues, and this year will see several plants taken off line. The authorities have carried out public consultation on the transition Master Plan, the basis for the territorial strategies and future reforms to help areas affected by the lignite decommissioning by end-2023.

**As a first step towards the reorganisation of the public railway companies, the authorities are improving the governance of the steering committee responsible for the rationalisation of implementation of railway projects.** The steering committee provides strategic supervision and guidance and coordinates the preparation of the action plan for railways. A first draft of the road map for the transformation of the two companies with intermediate steps will be prepared by end December.

HELLENIC CORPORATION OF ASSETS AND PARTICIPATIONS AND PRIVATISATION

**The Corporation released its 2019 annual report and financial results end-September 2020, which showed a significant improvement in financial figures across most of the corporation’s subsidiaries, and in the Corporation’s own financial results for 2019**. While it is expected that the 2020 results will be affected by the pandemic, the governance and operational improvements in the Corporation’s portfolio of companies appear to have improved their abilities to weather the impact of the pandemic.

**Work related to specific commitments has continued.** With regard to the implementation of the Corporation’s strategic plan, (i) the authorities are in the process of updating the Ministerial Guidance, which outlines the government’s general vision and expectations for the Corporation and is expected to be finalised by end-2020. The strategic plan will be updated following the issuance of the Ministerial Guidance.(ii) The Corporation and the state-owned enterprises are carrying out the next phase of the implementation of the Coordination Mechanism: the statement of commitments, which will set out the state-owned enterprises’ financial, operational and other objectives and are expected to be finalised by December 2020. In addition, the authorities stated their intention to proceed with the preparation of performance contracts setting out public service obligations for a limited set of state-owned enterprises. The review of the boards of the state-owned enterprises, is close to completion with only one out of the thirteen state-owned enterprises’ board review outstanding, namely that of the Hellenic Exhibition Organisation (HELEXPO), expected to be completed by December 2020. The transfer of the Olympic Athletic Centre, which proves very complex, is seeing progress despite delays. Preparatory work for the tender has received a further extension and it is now expected to be completed by November 2020, while maintenance works are ongoing.

**With a view to setting up the Project Preparation Facility in a way that will maximise its contribution to accelerating the absorption of EU funds in Greece, the authorities have proposed mandating the Hellenic Republic Asset Development Fund to assume this function.** This new mandate for the Fund would represent an increase in both, its headcount and its responsibility. It will be important to ensure that adding this mandate to the Fund will not affect the Corporation’s ability to carry out its core mandate, nor affect the Corporation’s independence.

**Some good progress has been made on a number of transactions included in the Asset Development plan, while other transactions suffered delays partly caused by the pandemic.**

* **Two transactions are close to completion**. The authorities continuedtheir strong engagement and efforts to complete the prerequisites for the financial closing of the *Hellinikon*transaction. Following the Council of State decision of 18 September, rejecting the petition for annulment in relation to the ongoing tender for the award of the casino license, the way for the financial closing of the transaction has been established. However, there are still some pending legal cases set for discussion in November 2020. Despite some technical issues, the *Marina of Alimos concession*is expected to be financially closed before the end of the year.
* **While progress on the pending actions necessary for the *Egnatia motorway concession* has been slower than expected in the past months, the authorities have recently taken significant steps towards the conclusion of this transaction.** In particular, a significant number of toll stations were completed and put in operation at the beginning of November, an additional number is expected to be completed and put in operation before the date of the submission of binding bids scheduled for 11 December, and the Ministry of Infrastructure committed to putting all the toll stations in operation before the commencement of the concession agreement. This is expected to secure revenue streams for the project and demonstrate the authorities’ commitment to proceed with its implementation. Additionally, some progress was made over the past two months in relation to the required works necessary for the licencing of remaining 14 tunnels. Close monitoring will continue.
* **Progress was made on a number of other ongoing transactions.** This includes the transaction of the *Public Gas Corporation – DEPA Infrastructure*, for which the Regulatory Authority for Energy provided clarity on the tariffs framework for distribution system operators, as well as on the asset perimeter to ensure it remains a cohesive and attractive asset. The phase of the invitation for the expression of interest was concluded in October for three *regional ports* and the *underground natural gas storage South Kavala,* attracting strong investors’ interest.
* **Some transactions needed to be delayed following a significant fall in the assets’ capitalisation value due to the pandemic**. This is in particular the case of *Hellenic Petroleum*, which had previously already sufferedsignificant delays following the failure of the first tender in mid-2019, and the Fund now considered appropriate to delay the launching of the transaction to a later point in time. Similarly, the *sale of 30% of Athens International Airport*has been postponed and the Fund will determine next steps once the situation improves, likely late in 2021.

**Outside the scope of the Asset Development Plan implemented by the Fund, the authorities are working towards addressing long-standing weaknesses of certain state-owned-enterprises.** This includes addressing the structural problems ofthe *Hellenic Aerospace Industry (HAI)*, and proceeding with the sale of the assets of the *Hellenic Vehicle Industry (ELVO)*, a company placed under special liquidation. The authorities are also taking steps to resolve issues that arose in the context of recovery of incompatible State aid as per long-standing Commission decisions (sale of assets of ferronickel production company *Larco,* and supporting the Public Real Estate Company (ETAD) in relation to former assets of *Hellenic Shipyards*).

PUBLIC ADMINISTRATION AND DIGITAL GOVERNANCE

**The authorities have made further progress on reforms in the public administration.** The modernisation of human resource management is progressing well as the vast majority of public sector entities has by now completed their digital organigrams, an end-2020 specific commitment.Until end-October, more than 80% of general government entities had completed their digital organigrams and the authorities expect that nearly all entities complete this task by end-2020. The preparation of job descriptions and the establishment of links between job description and jobholder is also progressing which will allow for a connection to the Single Payment Authority by the end of this year. The depoliticisation and professionalisation of the public administration has continued as a uniform selection process for senior management posts at public sector entities has come into effect, which now extends to cover a large share of all general government entities.The appointment of all Permanent Secretaries has been completed. The authorities have also advanced on a number of other actions due by the end of the year, which include finalisation of a law to further strengthen the Supreme Council for Civil Personnel Selection (which is expected to be published for public consultation in November), and the completion of the performance assessment round for 2019.

**The authorities are taking steps to control the size of the public sector.** The evolution of personnel in 2020, both permanent and temporary, remains in accordance with the hiring plans. However, the expected reduction of temporary posts following their conversion to permanent positions has been slow and efforts need to be stepped up for the reduction to be evident in the staffing figures at end-2020. The authorities are working on establishing an annual ceiling on temporary staff by end-2020. In an effort to learn from past lessons, the authorities are documenting deviations from the hiring procedures and the unified wage grid, with an initial focus on the period from July 2019, while the previous years would be covered in the second stage.

**With a view to enhancing legal certainty and access to law, the authorities are preparing the codification of the labour market legislation, an end-2020 specific commitment, and identified further areas for codification.** The process is distinct from the modernisation of some aspects of the labour legislation mentioned above and has suffered delays due to the pandemic. The new labour law code is expected to be adopted by the end of 2020. The annual codification plan for 2021, adopted by the Council of Ministers, includes an ambitious programme including on spatial and town planning, trading of goods and services, collection of public revenue and party financing.

**The authorities are advancing with key reforms to improve Greece’s digital performance, aided by a comprehensive digital strategy which is underway, and a newly adopted unified legal framework on digital governance.** The new national digital strategy (‘Digital Bible’), which is expected to be submitted for public consultation shortly, outlines Greece’s ambitious digital transformation agenda and reform priorities for the next four years. The Code of Digital Governance was adopted on 22 September 2020, and represents a key milestone for Greece concerning the transposition of the EU Directive on the establishment of a European Electronic Communications Code. The authorities aim to present shortly an action plan on the steps needed to fully operationalise the new Code.

**Tangible progress is recorded with respect to the simplification and digitalisation of public sector processes and data, the interoperability of public systems and registries, digital upskilling and connectivity issues.** The work on process simplification and digitalisation continues through the implementation of the National Programme for Process Simplification, notably in the areas of transport and justice. The authorities are on track with the implementation of the roadmap for the development of the integrated transactions portal (gov.gr). Work also continues on promoting the interoperability of public registries and systems and the tender was launched for the digitalisation of geospatial data for the development of the Single Digital Map and the State Infrastructures Registry. Improvements in digital skills, connectivity and the take up of new technologies by businesses remain key priorities for Greece as the authorities continue implementing their strategy on digital upskilling, including through the National Digital Academy and the National Coalition for digital skills and jobs. Connectivity issues are being addressed through the auctioning of the 5G pioneer bands, scheduled for end-2020, and the authorities expect to eventually reach 96% 5G coverage, which will require large investment in very-high capacity networks. The innovative scheme for a National Fund for 5G in Greece established through the recently adopted Code of Digital Governance is expected to play a pivotal role in the development of the 5G ecosystem.

JUSTICE AND ANTICORRUPTION

**Steady progress has been made with the transition to mandatory electronic filing and processing of documents throughout the Courts and work is ongoing regarding the distribution of electronic signatures to judges and members of the legal professions.** The authorities committed to submit shortly an action plan on *e-filing-related initiatives*, containing a mapping of the current situation and detailingplanned actions, including an implementation timetable. Next steps include the adoption of legislation, by the end of December 2020. With regard to the *electronic issuance of court decisions*, the authorities plan to distribute to all courts, by the end of January 2021, a software developed for this purpose by the Piraeus Court. Further progress has been recorded regarding the *electronic issuance of court certificates.*Following the resolution of concerns about private data protection, the authorities expect to complete the distribution of electronic signatures for judges and court clerical staff by November 2020. The authorities confirmed that the Ministry of Justice stands ready to take legislative initiative as warranted regarding the distribution of electronic signatures to the members of legal professions in view of the entry into force of mandatory e-filing in administrative jurisdictions in January 2021.

**The evaluation of offers in the context of the tender for the second phase of the Integrated System for the Processing of Civil and Penal Cases, an end-2020 specific commitment, continues and the authorities confirmed their intention to award the contract to the selected bidder in December 2020.** Following the submission of an assessment of the technical part of offers to the Ministry of Justice for approval, the authorities foresee completion of the assessment of the financial part of the offers by end-November 2020, in time for proceeding as planned with awarding the contract in December 2020.

**Other reforms in the judicial system have marked steady progress as follows:**

* *The authorities took a number of initiatives to support the function of mediation.* The Central Committee for Mediation is putting in place a help desk for legal professionals and citizens, to provide legal guidance and support to stakeholders. The authorities are monitoring the take-up of mediation.
* *A progress report detailing the next steps in view of the implementation of the legislation on special chambers in civil and administrative courts will be provided by December 2020.* On 1 October 2010, the plenary formation of the Athens Court of appeal resolved unanimously to form two special chambers to deal with cases in the fields of competition, electronic transactions, energy and personal data protection, and other courts are expected to follow suit, following the appointment of the newly elected court administrations in October 2020.
* *The work stream on improving the working methods in courts, which is an important part of the ongoing justice reform, is proceeding as planned.* The Code of Judicial Staff is set to be adopted in December 2020. The authorities are aiming at upgrading and maintaining exacting standards for the performance by judicial clerks mainly through cultivating a heightened sense of duty. The revision of certain sections of the draft Code on the Status of Judges and the Organisation of Courts, which are expected to bring improvements to the methodology for the evaluation and professional advancement of judges and to the treatment of disciplinary matters, will be entrusted to a law-drafting committee in January 2021 with a view to its adoption in time for the start of the next judicial year in September 2021. Its work will be informed by technical support provided through the European Commission.
* *The launch of the tender for the ‘JustStat’ project for the creation of the statistical information unit for judicial data is expected to take place by the end of December 2020.* Concurrently, the authorities confirmed that secondary legislation is in preparation, in cooperation with the Hellenic Statistic Authority, regarding the provision of technical know-how.

**The National Authority for Transparency is now fully operational, which is expected to improve coordination and a number of important steps have been taken regarding the fight against corruption in the political field.** The National Transparency Authority oversees the implementation of the National Anticorruption Plan, which shows encouraging results and has amongst others supported the drafting of a dedicated anticorruption strategy by the Ministry of Health. The fight against corruption in the political field has advanced, with the launch of a codification project for the legislation on political party financing in 2021 and the adoption of the law on lobbying activities to enter into force as of mid-2021. The authorities are yet to improve the accessibility of some databases to the bodies in charge of asset declaration audits and to align the list of politically exposed persons subject to asset declaration with the updated definition of politically exposed people. Last, a major reform, which aims at implementing sound internal control systems across the public administration, is overseen by the Authority and is expected to have a major impact in the fight against corruption in the public administration as well as in the public finance management sector.

**The implementation of the recommendations made by the Group of States against Corruption regarding the softening of sanctions for bribery of public officials is ongoing.** Addressing these recommendations requires a comprehensive review of the legal framework for the fight against corruption of public officials before drafting amendments to the relevant codes, expected to be delivered by mid-2021. The Group of States against Corruption has invited the authorities to submit a report on measures taken to implement their recommendations by end-October 2021. A swift adoption of the provisions addressing the Group of States against Corruption’s recommendations would enable Greece to fight corruption of public officials more effectively and also to abide by the Criminal Law Convention on Corruption and its Additional Protocol.

1. () Regulation (EU) No 472/2013 of the European Parliament and the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability, OJ L140, 27.5.2013, p. 1. [↑](#footnote-ref-1)
2. () Commission Implementing Decision (EU) 2020/1142 of 29 July 2020 on the prolongation of enhanced surveillance for Greece, OJ L 248, 31.7.2020, pp. 20-23. [↑](#footnote-ref-2)
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> [↑](#footnote-ref-3)
4. () ECB staff participated in the review mission in accordance with the ECB’s competences and thus provided expertise on financial sector policies and macro-critical issues, such as headline fiscal targets and sustainability and financing needs. The review mission was preceded by a technical mission, also held remotely, from 30 September to 8 October 2020. [↑](#footnote-ref-4)
5. () <https://ec.europa.eu/info/publications/enhanced-surveillance-report-greece-may2020_en> [↑](#footnote-ref-5)
6. () The forecast was prepared taking into account information available up to the cut-off date 22 October 2020. More details regarding the Commission 2020 Autumn Forecast can be found here: <https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-forecasts/autumn-2020-economic-forecast_en>. [↑](#footnote-ref-6)
7. () The Commission forecast does not incorporate the impact of the Recovery and Resilience Plans as the full implementation is conditional upon their positive assessment by the Commission and endorsement through a Council implementing decision, as well as the achievement of milestones and targets. Furthermore, the Commission forecast does not account for any expenditure under the Recovery and Resilience Facility, as the Draft Budgetary Plan did not present such projects in sufficient detail. [↑](#footnote-ref-7)