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COVER NOTE

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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
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Recommendation for a

COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Greece

{SWD(2026) 208 final}

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Recommendation for a

COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Greece

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 121(2) and 148(4) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 ([1]), and in particular Article 3(3) thereof,

Having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances ([2]), and in particular Article 6(1) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

(1) Regulation (EU) 2024/1263 specifies the objectives of the economic governance framework, which aims at promoting sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investments, as well as preventing excessive government deficits. The Regulation stipulates that the Council and the Commission conduct multilateral surveillance in the context of the European Semester in accordance with the objectives and requirements set out in the Treaty on the Functioning of the European Union (TFEU). The European Semester includes, in particular, the formulation and the surveillance of the implementation of country-specific recommendations.

[1] Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30 4 2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

[2] Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23 11 2011 ELI: http://data.europa.eu/eli/reg/2011/1176/oj).

(2) On 16 July 2025, the Commission adopted its proposal for a regulation establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509 ([3]). The proposal aims to increase the effectiveness of Union funding by reducing the fragmentation of the financial architecture and to support Member States in the coordination of their economic policy in line with Article 175 TFEU.

(3) On 25 November 2025, the Commission adopted an opinion on the 2026 draft budgetary plan of Greece. On the same date, on the basis of Regulation (EU) No 1176/2011, the Commission adopted the 2026 Alert Mechanism Report, in which identified Greece as one of the Member States for which an in-depth review would be needed. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area, a recommendation for a Council recommendation on human capital in the European Union, and a proposal for the 2026 Joint Employment Report, which analyses the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights. The Council adopted the Recommendation on the economic policy of the euro area ([4]) on 21 April 2026 and the Joint Employment Report and the Recommendation on human capital on 9 March 2026.

(4) On 29 January 2025, the Commission published the Competitiveness Compass, a strategic framework that aims to boost the Union's global competitiveness over the next five years. It identifies the three transformational imperatives of innovation, decarbonisation and competitiveness, and security as critical pillars for sustainable economic growth. The European Semester is aligned with the Competitiveness Compass, ensuring that Member States' economic policies are consistent with the Commission's strategic objectives, creating a unified approach to economic governance that fosters sustainable growth, innovation and resilience across the Union.

(5) In 2026, the European Semester for economic policy coordination continues to develop alongside the final stage of the Recovery and Resilience Facility (RRF) implementation ([5]). In the last few years, recovery and resilience plans (RRPs), along with cohesion policy funding, have been essential for delivering on the policy priorities under the European Semester, as the plans were required to effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent cycles, and programmes funded by the European cohesion policy were required to take country-specific recommendations into account. As the RRF approaches the end of its lifetime, it remains essential to sustain the reforms supported and implemented under it, including to ensure consistency and continuity between the RRP and the future NRP Plans.

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[3] Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509 - COM(2025) 565 final. The proposed Regulation is currently the subject of negotiations with the co-legislators.

[4] OJ C, C/2026/2434, 28.4.2026, ELI: http://data.europa.eu/eli/C/2026/2434/oj).

[5] Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17, ELI: http://data.europa.eu/eli/reg/2021/241/oj).

(6) On 3 June 2026, the Commission published the 2026 country report for Greece. It assessed Greece's progress in addressing the relevant country-specific recommendations and took stock of Greece's implementation of the RRP. On the basis of that analysis, the country report identified the most pressing challenges Greece is facing. It also assessed Greece's progress in implementing the European Pillar of Social Rights and in achieving the Union headline targets on employment, skills and poverty reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

(7) The Commission carried out an in-depth review under Article 5 of Regulation (EU) No 1176/2011 for Greece. The main findings of the Commission's staff assessment of macroeconomic vulnerabilities for Greece for the purposes of that Regulation were published on 20 May 2026 ([6]). On 3 June 2026, the Commission concluded that Greece is no longer experiencing macroeconomic imbalances. In particular, vulnerabilities related to government and external debt have receded over recent years, supported by steady GDP growth, with budgetary surpluses further contributing to decreases in government debt; banks' balance sheets have improved; the current account deficit remains sizeable, but its favourable financing mitigates external sustainability risks. Greece has implemented relevant reforms to reduce its long-standing vulnerabilities. While remaining high, the government debt-to-GDP ratio has continued to decrease due to prudent fiscal policy and GDP growth, which has also supported an improvement of the negative net international investment position. Both government debt and external debt ratios are expected to fall further. The current account deficit has remained elevated and is not expected to improve this year, but EU financing and private non-debt-generating financing are expected to cover a large share of it. The labour market has improved, with the unemployment rate decreasing further. Over the past years, banks have cleaned up their balance sheets. The workout of non-performing loans held by servicers outside the banking sector remains slow though. Overall policy progress has been strong and addressing the main vulnerabilities, with the government taking a broad range of measures to improve the business environment, the labour market, and tax administration. Looking ahead, sticking to sound fiscal policies would help further reductions in government debt and while structural challenges related to labour productivity remain, the European Semester will provide the framework for monitoring progress in structural reforms.

(8) On 21 January 2025, the Council, upon the assessment and recommendation of the Commission, adopted a Recommendation endorsing the national medium-term fiscal-structural plan of Greece ([7]). The plan covers the period from 2025 until 2028 and presents a fiscal adjustment spread over four years. The Council recommended the following maximum growth rates of net expenditure: 3.7% in 2025, 3.6% in 2026, 3.1% in 2027 and 3.0% in 2028, which correspond to the maximum cumulative growth rates calculated by reference to the base year of 2023 of 6.5% in 2025, 10.3% in 2026, 13.7% in 2027 and 17.1% in 2028.

(9) Russia's war of aggression against Ukraine and its repercussions constitute an existential challenge for the European Union. The Commission invited Member States to request the activation of the national escape clause of the Stability and Growth Pact in a coordinated manner to support the EU efforts to achieve a rapid and significant

[6] SWD(2026)137 final.

[7] Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Greece (OJ C, C/2025/661, 10.02.2025, ELI: https://eur-lex.europa.eu/eli/C/2025/661/oj).

increase in defence spending ([8]) and this proposal was welcomed by the European Council of 6 March 2025. Following the request of Greece, on 8 July 2025 the Council, upon a recommendation from the Commission, adopted a Recommendation allowing Greece to deviate from the recommended maximum growth rates of net expenditure ([9]). The period when the national escape clause is activated (2025-2028) allows Greece to reprioritise government expenditure or increase government revenue so that lastingly higher defence expenditure would not endanger fiscal sustainability in the medium term.

(10) On 30 April 2026, Greece submitted its 2026 Annual Progress Report ([10]) on adherence to the recommended maximum growth rates of net expenditure and the implementation of reforms and investments responding to the main challenges identified in the European Semester country-specific recommendations. The Annual Progress Report also reflects Greece's biannual reporting on the progress made in implementing its recovery and resilience plan in accordance with Article 27 of Regulation (EU) 2021/241.

(11) Real GDP growth in 2025 was 2.1% and HICP inflation stood at 2.9%. The Commission Spring 2026 Forecast projects real GDP to grow by 1.8% in 2026 and 1.6% in 2027, and HICP inflation to stand at 3.7% in 2026 and 2.4% in 2027.

(12) Based on data provided by Eurostat ([11]), Greece's general government surplus increased from 1.3% of GDP in 2024 to 1.7% of GDP in 2025.The increase in the surplus in 2025 mainly reflects lower interest expenditure and contained current spending, alongside higher VAT revenues despite the implementation of expansionary measures (0.6% of GDP), including cuts in social security contributions, higher public sector wages, and targeted household support. Based on policy measures known by the cut-off date of the forecast, the Commission Spring 2026 Forecast projects a surplus of 0.8% of GDP in 2026 and 0.6% of GDP in 2027. The decrease in the surplus in 2026 mainly reflects the impact of tax cuts (personal income tax, property tax and VAT), increases in pensions and public sector wages, as well as higher defence expenditure and temporary energy support measures. The further decrease in the surplus in 2027 mainly reflects the full-year impact of the expansionary 2026 fiscal package, a further reduction in social security contributions, and additional increases in public sector wages.

(13) Based on the Commission's estimates, the fiscal stance ([12]), which includes both nationally and EU financed expenditure, was expansionary, by 0.8% of GDP, in 2025.

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8 Communication from the Commission, 'Accommodating increased defence expenditure within the Stability and Growth Pact', Brussels, 19 3 2025, C (2025) 2000 final.

9 Council Recommendation of 8 July 2025 allowing Greece to deviate from the maximum growth rates of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause), (OJ C, C/2025/3965, 20.08.2025, ELI: http://data.europa.eu/eli/C/2025/3965/oj).

10 The 2026 Annual Progress Reports are available on: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/preventive-arm/annual-progress-reports_en

11 Eurostat-Euro Indicators, 22 04 2026.

12 The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

It is projected to be expansionary, by 2.8% of GDP, in 2026, and contractionary, by 1.5% of GDP, in 2027.

(14) Based on data provided by Eurostat ([13]), Greece's general government debt decreased from 154.2% of GDP at the end of 2024 to 146.1% of GDP at the end of 2025. The decrease in the debt ratio in 2025 was mainly driven by nominal GDP growth and by the budget surplus. Based on policy measures known at the cut-off date of the forecast, the Commission Spring 2026 Forecast projects the debt-to-GDP ratio to decrease to 140.7% by the end of 2026 and to further decrease to 134.4% by the end of 2027.

(15) Based on Eurostat data ([14]), total general government defence expenditure in Greece amounted to 2.4% of GDP in 2025**,** corresponding to an increase of 0.2 percentage points of GDP compared to the reference year 2024. According to the Commission Spring 2026 Forecast, it is projected at 2.6% of GDP in 2026, corresponding to an increase of 0.4 percentage points of GDP compared to 2024.

(16) The Union continues to face risks of energy supply disruptions and elevated price volatility, exacerbated by geopolitical tensions which affect global oil and gas markets. Experience from the 2022–2023 energy crisis has shown that broad and untargeted measures entail large fiscal costs and are socially and economically inefficient. Since the outbreak of the war in the Middle East in February 2026, Greece adopted fiscal policy measures to mitigate the impact of high energy prices on households and firms ([15]). These include a mix of social transfers and price support measures, notably an untargeted diesel subsidy (EUR 0.16 per litre) and a targeted fuel pass providing EUR 50–60 per vehicle for April–May 2026, as well as a targeted fertiliser subsidy to farmers covering 15% of costs for the agricultural sector for the period of April to August 2026. Additional support comprises a one-off targeted transfer to families with children (EUR 150 per child) and compensation to ferry operators to contain transport costs. According to the Commission Spring 2026 Forecast, the fiscal cost of these measures is projected to amount to 0.2% of GDP in 2026. According to Commission estimates, if these measures were to remain in force until end-2026, their fiscal cost would amount to 0.6% of GDP in 2026.

(17) Based on the Commission's calculations, net expenditure in Greece grew by 3.0% in 2025 and 2.8% cumulatively over 2024 and 2025. The net expenditure growth in 2025 is below the recommended maximum growth. When considering 2024 and 2025 together, the cumulative growth rate of net expenditure is also below the recommended maximum growth rate.

(18) Based on the Commission's calculations, net expenditure in Greece is projected to grow by 7.3% in 2026, and 10.4% cumulatively over 2024, 2025 and 2026. The projected net expenditure growth in 2026 is above the recommended maximum growth rate, corresponding to a deviation of 1.5% of GDP in annual terms. When considering 2024, 2025 and 2026 together, the projected cumulative growth rate of net expenditure is also above the recommended maximum growth rate, corresponding to a deviation of 0.2% of GDP in cumulative terms. However, the projected deviation is within the flexibility of the national escape clause based on current projections for defence spending.

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13 Eurostat-Euro Indicators, 22 04 2026.

14 Eurostat, government expenditure by classification of functions of government (COFOG).

15 This reflects the situation at the cut-off date of the Commission Spring 2026 Forecast (4 May 2026).

(19) The centralisation and digitalisation of tax and customs administration have been key to increasing tax compliance, with the rollout of digital tools and strengthened compliance systems, also as part of the RRP, contributing to a significant reduction in the VAT compliance gap. To sustain this progress, it is essential to maintain investment, including IT systems developed with RRF support, by allocating sufficient resources for system maintenance and in-house capacity. At the same time, the tax system continues to feature a large number of tax expenditures (1,236 cases in 2025) with significant budgetary impact, which adds complexity to the tax system and have implications for revenue efficiency. A systematic evaluation of tax expenditures would lay the ground for rationalising tax expenditures, thereby improve overall transparency of the tax system and support fiscal sustainability. Further efforts are also needed in customs administration. While ongoing centralisation of customs administration have increased customs revenues despite lower overall imports, completing the centralisation of inspections, strengthening operational capacity and expanding infrastructure at major entry points, including the Port of Piraeus, would further improve enforcement and revenue collection.

(20) Greece has continued to take steps to modernise its public administration. Following a significant adjustment after 2010, the size and cost of the public administration has been broadly aligned with the EU average. Greece's public sector wage bill remained broadly stable in 2025 at 10.2% of GDP, slightly below the EU average (10.3% of GDP). To sustain this, it is key to continue to apply the unified wage grid, while maintaining current staffing levels, including for temporary staff. The RRP contains measures to improve the effectiveness of the public administration, including a multi-level governance framework adopted in 2023, which should improve coordination between central, regional and local administrations, for example in water management and civil protection. Greece is expected to start applying the governance framework once it has adopted a codified law that will bring all the responsibilities of the regional and local administration under a single legal framework, which is expected to be in place in 2026.

(21) Progress has been made to reduce non-performing loans on banks' balance sheets, but the resolution of remaining NPLs, currently largely managed by credit servicers, has proceeded at a slow pace. Judicial obstacles, such as the long duration of the judicial resolution of pre- and post-auction disputes, result in low third-party interest and unsuccessful auctions, delaying collateral liquidations. The aforementioned delays in the liquidation proceedings and the resulting dissuasion of potential purchasers from participating in auctions undermines the overall efficiency of the debt resolution framework, while it also reduces the effective supply of properties. Delays also exacerbate the housing affordability crisis, as many vacant residences are tied up in processes related to debt enforcement. Recently adopted procedural measures aim to address the above-mentioned problems by accelerating the resolution of pre- and post-auction disputes, such as (i) procedural simplifications, (ii) measures to avoid disproportionate concentration of enforcement-related litigation in metropolitan areas and (iii) a digital platform to make decisive progress on distant hearing dates; however, their effectiveness cannot yet be ascertained.

(22) The systematic, meaningful and timely involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential in order to ensure broad ownership for the successful implementation of the Union's funding instruments, as well as in the context of the European Semester.

(23) The implementation of cohesion policy programmes, which encompass support from the European Regional Development Fund (ERDF), the Just Transition Fund (JTF), the European Social Fund Plus (ESF+) and the Cohesion Fund (CF) in Greece, is above the average pace at EU level, both in terms of project selection and payments. It is important to keep current momentum, while maximising the impact of investments on the ground. Greece is already taking action under its cohesion policy programmes to boost competitiveness and growth. Nevertheless, some areas may require further attention in implementing, including those relating to innovation, waste management, public urban transport, railways and place-based measures to retain human capital outside the capital region and address demographic decline in less developed regions. It is essential to ensure that the new investments identified by Greece in its mid-term review of the cohesion policy funds, notably those linked to the five priorities identified in the Mid-Term Review Regulation ([16]), are deployed rapidly and effectively.

(24) Greece faces several challenges related to regulatory burden, entry barriers to product and service markets, fragmentation of research policy, lengthy judicial proceedings and uncertainty due to lack of plans defining land uses.

(25) Greece has improved its regulatory framework and implemented digital tools to streamline businesses' interaction with the State, for example through simplifying and digitising the licensing process for the establishment and operation of businesses. However, Greek firms still perceive the required compliance with business regulations as a major challenge to investment, as illustrated by surveys conducted by the European Investment Bank. Environmental permitting continues to involve multiple services and lengthy approval times. One reason is that the regulatory framework is not completed as not yet all secondary acts have been adopted that would allow for a lighter permitting process in the case of non-substantial changes. Also, sufficient capacity and digitalising end-to-end the electronic environmental registry and related permitting processes for all involved services would help expedite environmental permitting. Further, the legal framework for concession agreements on the seashore is outdated and hampering investment in existing and new infrastructure. In particular, infrastructure relating to industrial, extractive and other supporting activities would benefit from a distinct legal framework, given the highly complex safety and environmental requirements. Overall, robust regulatory impact assessments would be a key tool to identify and address any unwarranted regulatory burden. Completing the cadastral mapping and integrate it as part of the public and tax administration's core information system is expected to ease administrative burden for the private sector, including for farmers.

(26) Professional services, notably lawyers, architects, civil engineers and accountants face strict regulations affecting domestic and cross-border provision of services (including entry requirements; restrictions on multidisciplinary practices and advertisement; territorial restrictions; and, in some cases, fixed fee schedules). These professional services also have a low firm exit ratio. Similarly, regulatory restriction to intra-EU trade remains, especially entry into retail, zoning and licensing requirements. The pharmacy sector continues to operate under strict establishment rules, including population and geographic restrictions. Sector-specific establishment rules are also

[16] Regulation (EU) 2025/1914 of the European Parliament and of the Council of 18 September 2025 amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review.

more restrictive than in the EU as a whole in the transport and telecom sectors. Within the Single Market context, entry and establishment costs for foreign investors and service providers are increased by frequent changes to tax rules, high compliance costs and regulatory barriers. These constraints are especially pronounced in professional services and retail, and the transport and network sectors.

(27) Research policy management and funding sources remain fragmented across several ministries and public entities in Greece, and coordination among these bodies has been weak. As regards access to finance, venture capital investment remains well below the EU average and local private equity, and the growth venture capital market is not developed. This reflects a reliance on state-backed initiatives rather than mature private markets. At the same time, while access to finance at the seed stage is broadly in line with EU peers, funding constraints persist once startups approach the early stage or growth stage. Moreover, while public support for business R&D has increased, private sector spending still lags significantly behind the EU average. Going forward, strengthening the governance of research policy and securing long-term R&D funding remain key. Greek firms' financial constraints are further exacerbated by late payments, in particular from the public sector. The share of SMEs facing late payments from public bodies is far above EU average (33% compared to 20%).

(28) Greece's innovation potential is further hampered by the still low uptake of digital technologies by businesses, in particular by SMEs. Despite progress made, the digitalisation of SMEs remains significantly lower than the EU average (55.95% vs 71.39% in 2025). Businesses overall are also lagging behind in the adoption of key digital technologies, such as artificial intelligence (AI), cloud computing and data analytics.

(29) Greece has made further progress in improving the effectiveness and efficiency of the justice system, by amending the Code of Civil Procedure to improve the conduct of civil and commercial trials in the first and the appellate degree and in the context of enforcement, as well as to digitise judicial processes; also by adopting new jurisdictional arrangements regarding disputes arising from public procurement proceedings. A code of alternative dispute resolution mechanisms is under preparation, whose scope will also extend to the resolution of public procurement-related disputes, but the code remains to be enacted. However, the integration of information technology in judicial proceedings remains insufficient or sporadic, being still limited to a number of courts and not covering all workflows, while the length of proceedings before civil, penal and administrative courts is still among the highest in the EU, causing substantial backlogs, affecting in particular the enforcement of contractual and property rights, the implementation of enforcement proceedings and the resolution of public procurement disputes. Moreover, there is scope for further progress in the revision of the legal framework on the organisation of courts and the status of judges.

(30) Currently, only around 20% of the Greek territory is covered by approved local urban plans. The lack of defined land uses has led to uncertainty as regards permitted economic activity and to informal construction which in turn has created unsustainable pressure on the environment and infrastructure. While Greece has made considerable progress with elaborating the urban plans through the RRF, the reform needs to be completed to help accelerate investment.

(31) Despite the growing share of renewable energy in its overall electricity production, Greece remains highly dependent on fossil fuels. Wholesale electricity prices are volatile, exacerbated by geopolitical developments, and remain higher than the EU

average, partially due to the high degree of dependency on natural gas for electricity generation. Greece’s RRP contains several reforms and investments, including increasing storage capacity, that are expected to accelerate decarbonisation. However, further actions are warranted to reduce Greece’s fossil-fuel dependency and make electricity prices lower, for example designating areas for offshore wind development, promoting demand-response and speeding up the roll out of smart meters, completing interconnection of islands, reducing losses of the distribution network and reducing the costs covered by the final consumer of the electricity retailers’ arrears.

(32) Greece records sizeable fossil-fuel subsidies with no phase-out planned by 2030, such as the use of coal and coke for industrial uses, which are economically inefficient and perpetuate the dependency on fossil fuels. In particular, fossil fuel subsidies that neither aim to alleviate energy poverty nor strengthen energy security, hinder the process of electrification and are not crucial for industrial competitiveness, could therefore be considered a phase-out priority. In Greece, energy taxation continues favouring fossil fuels over electricity, which is sending a mixed price signal considering renewables’ increased share of overall electricity production. As a result, final energy prices are lower for fossil fuels compared to electricity, with Greece among the EU Member States with the highest electricity-to-gas price ratio. Moreover, Greece remains the EU country where diesel excise duties are particularly low compared to petrol excise duties, even though diesel fuel is more environmentally harmful. Therefore, a recalibration of energy taxes, coupled with phasing out of fossil fuel subsidies, could provide stronger incentives for electrification. Finally, more targeted utilisation of revenue sources (e.g. ETS) would allow for sufficient resources being allocated to key support schemes (e.g. RES account) as well as further promoting the decarbonisation of industry and the transport sector, which would further contribute to Greece’s green transition in a fair and inclusive way.

(33) Greece has one of the oldest vehicle fleets in the EU, which is a major reason why Greece’s transport sector is one of the country’s main CO_2 emitters. Greece would benefit from drawing up a comprehensive strategy, including an investment plan and reforms, to promote the decarbonisation of the transport sector by expanding the use of electric means of transport, including improving the capacity and quality of urban public transport. Further, by completing the launched tenders of inter-regional and urban bus transport services, Greece will establish a more secure and conducive environment to promote the upgrading and greening of its bus fleet. The upgrading of bus terminals in main cities to promote inter-modal transport would also contribute positively. Further, the renewal of Greece's passenger shipping fleet, with over 80% of its passenger ships being over 20 years old and lacking green technologies, offers significant economic and environmental benefits. A master plan for the renewal of the Greek passenger shipping fleet has been developed as part of the Greek RRP, and it can inform policy decisions on vessel upgrades, port infrastructure, and financing.

(34) Greece is committed to upgrading its national rail system. The ongoing RRF-supported railway reform aims to make the Greek rail sector safer, more efficient, integrated, modern and responsive to customer demand, with a focus on enhancing the capacity and investment of the infrastructure manager. Rolling out the European Rail Traffic Management System and strengthening the operational capacity of the Greek Regulatory Authority for Railways, including by addressing resource constraints, are essential to support these efforts. By developing a modern and efficient railway system, Greece can capitalise on its strategic position as a gateway between Europe, the Eastern Mediterranean, and the Black Sea region, and develop a reliable,

competitive, and environmentally sustainable transport system that supports regional development, cohesion, cross-border connectivity and economic growth.

(35) Greece is particularly vulnerable to climate change and related extreme weather events, such as intense droughts, floods, wildfires and heatwaves. The increasing frequency and severity of these events necessitate costly reconstruction of affected infrastructure and the rehabilitation of large forest and agricultural areas. At the moment, Greece lacks a comprehensive strategy coupled with a clear allocation of responsibilities, including the regional and local administration, to plan and implement climate adaptation investments. By establishing a multi-level governance system and mainstreaming climate resilience considerations across the public administration and key sectors (e.g. energy and transport), Greece would set up a more conducive framework to carry out the required climate-proofing of key infrastructure investment in a sustainable and effective manner across the country, including in coastal and island regions. This would require prioritising risk-informed planning and mobilising adequate public and private investment, particularly in sectors where climate vulnerabilities remain insufficiently addressed, including transport and marine-dependent sectors which are exposed to significant climate risks. Further, it would be beneficial for Greece to take a structured approach to disaster-risk financing and to take further policy action to increase the coverage rate of private insurance, including by adopting a national strategy for private insurance against natural disasters. While in the last couple of years Greece introduced some measures aimed at increasing the private insurance coverage, the coverage remains one of the lowest in the EU, and the divergence between the Attica region and other regions is high.

(36) Greece is one of the most water-stressed countries in the EU, with agriculture being the main consumer of water resources, accounting for over 80% of total water use. The country's water supply is under significant pressure, and the situation is exacerbated by prolonged droughts, extreme rainfall, while there is no adequate framework for collecting and storing surface and rainwater, and the reuse of treated wastewater is limited. Under its RRP, Greece has developed a new National Water Strategy for the efficient and sustainable use of water resources and introduced a pilot initiative for the reorganisation of major water service providers. Implementing this strategy, alongside investing in sustainable water management and infrastructure, is crucial for building and maintaining resilient infrastructure and promoting the efficient use of water resources. Under the mid-term review of cohesion policy, Greece has increased allocations in water investments. Initiatives to promote circular water management and demand management, as well as efforts to raise public awareness about the value and safety of adequately treated wastewater, can help alleviate water scarcity and improve the overall efficiency of sustainable water supply management.

(37) Greece faces challenges in waste management. Despite the introduction of a landfill tax in 2022 around 80% of municipal waste is still being landfilled. The lack of adequate recycling facilities and the limited progress in increasing recycling levels, which remain at only 17.4% compared to 48% in the EU, highlight the need for a more comprehensive and integrated approach to waste management. To address these challenges, it is essential to update the regional waste management plans, in accordance with the requirements of the Waste Framework Directive and invest in solid waste management infrastructure. This would include the adoption of pay-as-you-throw schemes, the timely enforcement of separate collection programmes, and the strengthening of the capacity of regional solid waste management bodies, particularly in areas such as islands where capacity constraints are exacerbated during

peak tourism periods. By taking these steps, Greece can reduce its reliance on landfills, increase recycling levels, and promote more effective waste management practices.

(38) Greece's overall employment performance has been strong in recent years, reducing the gap with the EU average. However, the very low labour market participation of women is resulting in a gender employment gap that is almost twice the EU average. Greece also has a considerable share of young people not in employment, education or training (13.6% in 2025), and vulnerable groups, such as people with disabilities, third-country nationals or Roma, face particular difficulties in entering the job market. Further encouraging flexible working arrangements and increasing childcare and long-term care services can lay the ground for higher rate of people in work, especially young people, women and vulnerable groups, and improve job quality. Reinforcing active labour market policies, and addressing skills mismatches by better orienting the education and training systems to labour market needs and by improving the coordination, effectiveness and outcomes of adult learning programmes also remain key. Although strategic frameworks are being put in place and some measures are underway, a high share of the population remains at risk of poverty, and the effectiveness of social transfers is below the EU average and has been significantly eroding in recent years. Unmet medical care needs, the low provision of long-term care, high housing costs and deprivation rates underscore the need for a robust social protection system and further policy action. The availability of social and essential services remains limited to the detriment of marginalised and remote communities.

(39) Beyond the economic and social challenges addressed by the RRP and other EU funds, Greece faces several additional challenges related to education. Participation in early childhood education and care from the age of three to the starting age of compulsory education at primary level remains particularly low. In 2019 (latest Eurostat data for Greece), Greece ranked last among EU Member States in terms of enrolment rate, while the lack of more recent data makes monitoring progress difficult. Participation in early childhood education and care at lower ages also remains particularly low. In 2024, 28.8% of Greek children below the age of three attended early childhood education and care (EU 39.3%). The rate is particularly low for children at risk of poverty or social exclusion. Greece is invited to increase the participation rate of children under the age of three to meet the revised Barcelona target of 42.8% by 2030.

(40) According to the latest OECD Programme for International Student Assessment in 2022, a high share of Greek 15-year-old students does not achieve a minimum level of proficiency in basic skills. The underachievement rates are among the highest in the EU and have grown since 2018 in all socioeconomic groups, indicating structural challenges in the quality and equity of the education system. Those challenges undermining Greece's education outcomes can be linked to limited funding for education policies, low degree of school autonomy, outdated students' assessment methods, and difficulties in implementing competence-based teaching methods and dedicated teaching approaches for pupils with disabilities and special educational needs. Teachers still have limited opportunities for continuous professional development, that, combined with the lack of a teacher evaluation culture, further weighs on the quality of education.

(41) At 16.6%, adult participation in training is much lower than the EU average and significantly behind Greece's 2030 target of 40%. With the limited effectiveness of skills forecasting mechanisms, skills mismatches persist. The low performance of the vocational education and training system undermines efforts to close the gap with the

job market demand for skills. Despite growing demand, the percentage of ICT specialists out of total employment is the lowest in the EU, at 2.5%. Further, the overall share of adults with basic or above-basic digital skills stands at 50.96% in 2025, 10 percentage points lower than the EU average. Addressing these challenges would also contribute to supporting upward social convergence, in line with the Commission services' second-stage country analysis of the Social Convergence Framework ([17]).

(42) House prices have been rising at a high pace since 2019, driven by strong demand and subdued construction activity. Domestic demand picked up in the post-pandemic period and has remained strong. Foreign demand – which has been incentivised by the golden visa programme and investment opportunities in tourism – moderated somewhat in 2025. Housing supply is constrained by years of sluggish housing investment which remains low by EU comparison despite the recent uptick in construction activity. House price and rent increases surpassed income growth, hence housing affordability has deteriorated, affecting a large part of the Greek population. As part of Greece's RRP, the national housing strategy and the public property reciprocal exchange programme (*"Kinoniki Antiparochi"*) to provide private sector developers incentives to invest in affordable and social housing, once adopted, are still to be implemented.

(43) Through its RRP, Greece has invested in the shift towards a primary care-based healthcare system. Building on these efforts is needed to further promote access to quality and affordable healthcare and reduce the high unmet healthcare needs reported by the population. This includes ensuring the functioning of the personal doctor reform and referral system and addressing the shortages of nurses and general practitioners, as well as their geographical imbalances which remains a key challenge, hindering access to care. Linked to this, Greece still reports the highest proportion of out-of-pocket payments across the EU. To help address this, reviewing the scale of co-payments for healthcare and providing public coverage of dental care is a key aspect. Given Greece's investments in the digital transformation of healthcare, further efforts to increase digital health literacy will help accelerate uptake in e-health tools and services. Moving forward, making available and leveraging high quality data from across the sector is critical to inform the development of high-impact policies to address challenges in the healthcare system.

(44) In view of the close interlinkages between the economies of euro-area Member States and their collective contribution to the functioning of the economic and monetary union, in 2026 the Council recommended that the euro-area Member States take action, including through their RRPs, to implement the 2026 Recommendation on the economic policy of the euro area. For Greece, the recommendation (1) helps implement the first, the second, the third and the fourteenth recommendations on the euro area, recommendation (2) helps implement the fourth recommendation on the euro area, recommendation (3) helps implement the seventh, the eighth and the ninth recommendations on the euro area, recommendation (4) helps implement the seventh recommendation on the euro area and the recommendation (5) helps implement the fifth recommendation on the euro area.

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[17] SWD(2026)122 final – Second-stage country analysis on social convergence in line with the Social Convergence Framework (SCF).

(45) In light of the crucial role of human capital in enhancing the Union's competitiveness and strategic autonomy, in 2026 the Council recommended that Member States take action to urgently address human capital related structural challenges in the areas of skills and education, which hamper competitiveness. The 2026 country-specific recommendations addressed to Greece can contribute to the implementation of the Council Recommendation on human capital in the Union.

HEREBY RECOMMENDS that Greece take action in 2026 and 2027 to:

1. Continue adhering to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025, while making use of the flexibility under the national escape clause for higher defence expenditure. Reinforce defence spending and readiness while ensuring spending efficiency and gradually adapting the budget to sustain structurally higher defence spending. Ensure that any measures taken to mitigate the impact of the hike in energy prices resulting from the crisis are temporary, targeted at protecting vulnerable households or at addressing the needs of energy-intensive firms, preserve incentives for energy savings while ensuring that their fiscal cost is compatible with the commitments under the EU fiscal framework. Continue efforts to improve tax compliance, including through further centralisation and digitalisation of customs and tax inspections, and improve the tax system's transparency by evaluating and rationalising tax expenditures. Further improve the effectiveness and efficiency of the public administration by fully implementing the multi-level governance framework. Pursue the ongoing reduction of the stock of non-performing loans held by banks and credit servicers by accelerating liquidation-related court proceedings.

2. Ensure continuity of reforms and investments implemented under the Recovery and Resilience Facility. Sustain implementation momentum under cohesion policy programmes building, where appropriate, on the reallocation to strategic priorities and flexibilities in the mid-term review of the cohesion policy framework.

3. Simplify regulation, streamline and digitalise administrative processes. Complete the regulatory frameworks for environmental licensing and concession agreements on the seashore. Remove the high entry barriers to the exercise of professional services and to business establishment. Improve the governance of the national research, development and innovation system by reducing the fragmentation of research policy management and funding. Facilitate access to finance for start-ups and scale-ups, including by developing local private equity and venture capital. Promote the digitalisation of businesses, in particular SMEs. Continue efforts to streamline judicial proceedings and curtail their length by accelerating civil and public procurement proceedings. Complete the urban planning reform through the entry into force of urban plans covering the whole territory.

4. Promote affordable electricity by developing flexibility solutions and offshore wind capacity, completing the interconnections of islands and improving the quality and capacity of the distribution network. Recalibrate energy taxes to incentivise electrification and take concrete steps to phase out fossil fuel subsidies, in particular in the industrial sector. Accelerate the decarbonisation of the transport sector, complete the reform of bus transport and extend and upgrade the national rail system, including the deployment of the European Rail Traffic Management System. Strengthen climate resilience by climate-proofing key infrastructure and take steps to increase private insurance coverage against natural disaster-related damages.

Improve water management and infrastructure. Update the waste management plans and improve solid waste management, including at regional level and on islands.

5. Increase the employment rate of women, young people and vulnerable groups, and improve job quality by promoting flexible work arrangements and expanding formal early childhood education and care and long-term care. Improve educational outcomes by expanding teachers’ training and evaluation, and school autonomy. Continue streamlining social benefits and improving access to services. Expand affordable and social housing supply including through a new building code. Promote access to quality and affordable healthcare by strengthening primary healthcare, tackling shortages and geographical imbalances of nurses and doctors, and reducing out-of-pocket payments.

Done at Brussels,

For the Council
The President