Council of the European Union

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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	COUNCIL RECOMMENDATION on the economic, social, employment, structural and budgetary policies of Greece

Delegations will find attached the above-mentioned draft Council Recommendation, as revised and agreed by various Council committees and finalized by the Economic and Financial Committee, based on the Commission Proposal COM(2025) 208 final.

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 Article 121(2) and Article 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,

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[1] OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj.
[2] OJ L 306, 23.11.2011, p. 25, ELI: http://data.europa.eu/eli/reg/2011/1176/oj.

Whereas:

General considerations

(1) Regulation (EU) 2024/1263, which entered into force on 30 April 2024, specifies the objectives of the economic governance framework, which aims at promoting sound and sustainable public finances and sustainable and inclusive growth and resilience through reforms and investments, and 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 TFEU. The European Semester includes, in particular, the formulation, and the surveillance of the implementation of country-specific recommendations. The Regulation also promotes national ownership of fiscal policy and emphasises its medium-term focus, combined with more effective and coherent enforcement. Each Member State must submit to the Council and the Commission a national medium-term fiscal-structural plan, containing its fiscal, reform and investment commitments, over 4 or 5 years, depending on the length of the national legislative term. The net expenditure[3] path in these plans has to comply with the Regulation's requirements, including the requirements to put or keep general government debt on a plausibly downward path by the end of the adjustment period, or for it to remain at prudent levels below 60% of gross domestic product (GDP), and to bring and/or maintain the general government deficit below the 3%-of-GDP Treaty reference value over the medium term. Where a Member State commits to a relevant set of reforms and investments in accordance with the criteria set out in the Regulation, the adjustment period may be extended by up to three years.

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[3] Net expenditure as defined in Article 2, point (2), of Regulation (EU) 2024/1263: 'net expenditure' means government expenditure net of (i) interest expenditure; (ii) discretionary revenue measures; (iii) expenditure on programmes of the Union fully matched by revenue from Union funds; (iv) national expenditure on co-financing of programmes funded by the Union; (v) cyclical elements of unemployment benefit expenditure; and (vi) one-offs and other temporary measures.

(2) Regulation (EU) 2021/241 of the European Parliament and of the Council[4], which established the Recovery and Resilience Facility (the 'RRF'), entered into force on 19 February 2021. The RRF provides financial support to Member States for implementing reforms and investments, delivering a fiscal impulse financed by the Union. In line with the priorities of the European Semester for economic policy coordination, the RRF fosters economic and social recovery while driving sustainable reforms and investments, in particular promoting the green and digital transitions and making Member States' economies more resilient. It also helps strengthen public finances and boost growth and job creation in the medium and long term, improve territorial cohesion within the Union and support the continued implementation of the European Pillar of Social Rights.

(3) Regulation (EU) 2023/435 of the European Parliament and of the Council[5] (the 'REPowerEU Regulation'), which was adopted on 27 February 2023, aims to phase out the Union's dependence on Russian fossil-fuel imports. This helps achieve energy security and diversify the Union's energy supply, while increasing the uptake of renewables, energy storage capacities and energy efficiency. Greece added a new REPowerEU chapter to its national recovery and resilience plan in order to finance key reforms and investments that will help achieve the REPowerEU objectives.

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4 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).

5 Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC (OJ L 63, 28.2.2023, p. 1, ELI: http://data.europa.eu/eli/reg/2023/435/oj).

(4) On 27 April 2021, Greece submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. Pursuant to Article 19 of that Regulation, the Commission assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines set out in Annex V. On 13 July 2021, the Council adopted its Implementing Decision approving the assessment of the recovery and resilience plan for Greece[6], which was amended under Article 18(2) on 7 December 2023 to update the maximum financial contribution for non-repayable financial support, as well as to include the REPowerEU chapter[7]. The release of instalments is conditional on the adoption of a decision by the Commission, in accordance with Article 24(5), stating that Greece has satisfactorily achieved the relevant milestones and targets set out in the Council Implementing Decision. Satisfactory achievement requires that the achievement of preceding milestones and targets for the same reform or investment has not been reversed.

(5) On 21 January 2025, the Council, upon the recommendation of the Commission, adopted a recommendation endorsing the national medium-term fiscal-structural plan of Greece[8]. The plan was submitted in accordance with Article 11 and Article 36(1), point (a), of Regulation (EU) 2024/1263, covers the period from 2025 until 2028 and presents a fiscal adjustment spread over four years.

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6 Council Implementing Decision of 13 July 2021 on the approval of the assessment of the recovery and resilience plan for Greece (ST 10152/2021).

7 Council Implementing Decision of 7 December 2023 amending the Implementing Decision of 13 July 2021 on the approval of the assessment of the recovery and resilience plan for Greece (ST 15831/2023).

8 Council Recommendation of 21 January 2025 endorsing the medium-term fiscal-structural plan of Greece, OJ C/2025/661, 10.2.2025.

(6) On 26 November 2024, the Commission adopted an opinion on the 2025 draft budgetary plan of Greece. On the same date, on the basis of Regulation (EU) No 1176/2011, the Commission adopted the 2025 Alert Mechanism Report, in which it 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 and a proposal for the 2025 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[9] on 13 May 2025 and the Joint Employment Report on 10 March 2025.

[9] Council Recommendation of 13 May 2025 on the economic policy of the euro area (OJ C, C/2025/2782, 22.5.2025, ELI: http://data.europa.eu/eli/C/2025/2782/oj).

(7) On 29 January 2025, the Commission published the Competitiveness Compass, a strategic framework that aims to boost the EU's global competitiveness over the next five years. It identifies the three transformative imperatives of sustainable economic growth: (i) innovation; (ii) decarbonisation and competitiveness; and (iii) security. To close the innovation gap, the EU aims to foster industrial innovation, support the growth of start-ups through initiatives like the EU Start-up and Scale-up Strategy, and promote the adoption of advanced technologies like artificial intelligence and quantum computing. In pursuit of a greener economy, the Commission has outlined a comprehensive Affordable Energy Action Plan and a Clean Industrial Deal, ensuring that the shift to clean energy remains cost-effective, competitiveness-friendly, particularly for energy-intensive sectors, and is a driver for growth. To reduce excessive dependencies and increase security, the Union is committed to strengthening global trade partnerships, diversifying supply chains and securing access to critical raw materials and clean energy sources. These priorities are underpinned by horizontal enablers, namely regulatory simplification, deepening of the single market, financing competitiveness and a Savings and Investments Union, promotion of skills and quality jobs, and better coordination of EU policies. The Competitiveness Compass is aligned with the European Semester, 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.

(8) In 2025, the European Semester for economic policy coordination continues to develop alongside the implementation of the RRF. The full implementation of the recovery and resilience plans remains essential for delivering on the policy priorities under the European Semester, as the plans help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent years. These country-specific recommendations remain equally relevant for the assessment of amended recovery and resilience plans in accordance with Article 21 of Regulation (EU) 2021/241.

(9) The 2025 country-specific recommendations cover the key economic policy challenges that are not sufficiently addressed by measures included in the recovery and resilience plans, taking into account the relevant challenges identified in the 2019-2024 country-specific recommendations.

(10) On 4 June 2025, the Commission published the 2025 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 recovery and resilience plan. Based on this 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's 2030 headline targets on employment, skills and poverty and social exclusion reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

(11) 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 assessment of macroeconomic vulnerabilities for Greece for the purposes of that Regulation were published on 13 May 2025[10]. On 4 June 2025, the Commission concluded that Greece is experiencing macroeconomic imbalances. In particular, Greece faces vulnerabilities related to high government and external debt, non-performing loans, and unemployment, which continue to recede, while the current account deficit remains high. The government debt-to-GDP ratio declined substantially again in 2024, but despite sustained reductions it remains the highest in the EU. Budgetary surpluses together with GDP growth are set to ensure continued debt reductions. The current account deficit increased marginally in 2024, well above its pre-pandemic level, and it is expected to remain unchanged at high levels this year and next. The net international investment position improved further in 2024, although it remains the most negative in the EU, and is not expected to improve materially further on account of the large current account deficits and of faltering denominator effects. The labour market continues to improve; the unemployment rate has been falling significantly (from a peak of 27.8% in 2013 to 10.1% in 2024) but it is still high. The stock of non-performing loans in banks' balance sheets decreased further in 2024, but the resolution of non-performing loans held by servicers remained sluggish, continuing to burden corporate and household balance sheets. Greece has made strong policy progress in addressing its vulnerabilities. In 2024, measures were taken to improve tax collection and to further support the enforcement of legacy non-performing loans. Progress was achieved in the judicial sector too. Sustaining reform momentum under and beyond the RRP remains key to address the structural weaknesses of the economy, and increasing productivity is key to enhance long-term growth prospects, which would facilitate the unwinding of imbalances.

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10 SWD(2025) 70 final.

Assessment of the Annual Progress Report

(12) On 21 January 2025 the Council recommended the following maximum growth rates of net expenditure for Greece: 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 2023 of 6.5% in 2025, 10.3% in 2026, 13.7% in 2027, and 17.1% in 2028. On 30 April 2025 Greece submitted its Annual Progress Report[11], 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 achieving its recovery and resilience plan in accordance with Article 27 of Regulation (EU) 2021/241.

(13) Russia's war of aggression against Ukraine and its repercussions constitute an existential challenge for the European Union. The Commission recommended to activate 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 increase in defence spending and this proposal was welcomed by the European Council of 6 March 2025. Following the request of Greece on 29 April 2025, on [date; OJ: please insert here as date 8 July 2025] the Council, upon the recommendation of the Commission, adopted a recommendation allowing Greece to deviate from, and exceed, the recommended maximum growth rates of net expenditure[12].

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[11] The 2025 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.

[12] Council recommendation allowing Greece to deviate from, and exceed, the recommended net expenditure path (Activation of the national escape clause), OJ [OJ: please insert in this footnote the reference and date of adoption of Council Recommendation contained in document ST 10468/25].

(14) Based on data validated by Eurostat[13], Greece's general government balance increased from a deficit of 1.4% of GDP in 2023 to a surplus of 1.3% in 2024, while the general government debt fell from 163.9% of GDP at the end of 2023 to 153.6% at the end of 2024. According to the Commission's calculations, these developments correspond to a net expenditure growth rate of -0.3% in 2024. In the 2025 Annual Progress Report, Greece estimates the net expenditure growth in 2024 also at -0.3%. Based on the Commission's estimates, the fiscal stance[14], which includes both nationally and EU financed expenditure, was contractionary, by 1.5% of GDP, in 2024.

(15) According to the Annual Progress Report, the macroeconomic scenario underpinning the budgetary projections by Greece expects real GDP growth at 2.3% in 2025, while HICP inflation is projected at 2.4% in 2025. The Commission Spring 2025 Forecast projects real GDP to grow by 2.3% in 2025 and 2.2% in 2026, and HICP inflation to stand at 2.8% in 2025 and 2.3% in 2026.

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[13] Eurostat-Euro Indicators, 22.4.2025.

[14] 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.

(16) In the Annual Progress Report, the general government surplus is expected to decrease to 0.1% of GDP in 2025, while the general government debt-to-GDP ratio is set to decrease to 145.7% by the end of 2025. These developments correspond to net expenditure growth of 4.5% in 2025. The Commission Spring 2025 Forecast projects a general government surplus of 0.7% of GDP in 2025. The decrease of the surplus in 2025 mainly reflects the planned 1 pp reduction in the social security contribution rate and the increase in public sector wages as well as the new package of measures, worth 0.5% of GDP, announced after the publication of the 2024 fiscal outcome, including a refund of one month's rent for tenants and subject to an income threshold , a permanent social benefit to vulnerable persons and a EUR 500 million annual increase in the national investment budget. According to the Commission's calculations, these developments correspond to a net expenditure growth of 4.2% in 2025. The difference between the general government balance projected by the Commission and Greece can be attributed to higher social security contributions and lower expenditures on wages, pensions, and social welfare benefits projected in the Commission Spring 2025 Forecast. This reflects the incorporation of both the overperformance in social security contributions and the underspending observed in previous years into this year's forecast. These effects are partially offset by the lower direct tax revenues also projected in the Commission Spring 2025 Forecast. Based on the Commission's estimates, the fiscal stance, which includes both nationally and EU financed expenditure, is projected to be expansionary, by 0.8% of GDP, in 2025. The general government debt-to-GDP ratio is set to decrease to 146.6% by the end of 2025. The decrease of the debt-to-GDP ratio in 2025 mainly reflects the growth of nominal GDP as well as the projected budget surplus.

(17) General government expenditure amounting to 1.7% of GDP is expected to be financed by non-repayable support ("grants") from the Recovery and Resilience Facility in 2025, compared to 1.0% of GDP in 2024, according to the Commission Spring 2025 Forecast. Expenditure financed by Recovery and Resilience Facility non-repayable support enables high-quality investment and productivity-enhancing reforms without a direct impact on the general government balance and debt of Greece.

(18) General government defence expenditure in Greece amounted to 2.7% of GDP in 2021, 2.6% of GDP in 2022 and 2.2% of GDP in 2023[15]. According to the Commission Spring 2025 Forecast, expenditure on defence is projected at 2.4% of GDP in both 2024 and 2025. Greece estimates expenditure on defence at 2.2% of GDP in 2024 and at 2.3% in 2025. This corresponds to no change compared to 2024. 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.

(19) According to the Commission Spring 2025 Forecast, net expenditure in Greece is projected to grow by 4.2% in 2025 and 3.9% cumulatively in 2024 and 2025. Based on the Commission Spring 2025 Forecast, the net expenditure growth of Greece in 2025 is projected to be above the recommended maximum growth rate, corresponding to a deviation[16] of 0.2% of GDP in annual terms. When considering 2024 and 2025 together, the cumulative growth rate of net expenditure is projected to be below the recommended maximum growth rate.

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[15] Eurostat, government expenditure by classification of functions of government (COFOG). Due to methodological differences between the COFOG and NATO definitions, expenditure based on the COFOG definition may differ from the expenditure based on the NATO definition.

[16] From 2026 these figures will appear in the control account that is established in Article 22 of the Regulation (EU) 2024/1263.

(20) The Annual Progress Report does not include budgetary projections beyond 2025. Based on policy measures known at the cut-off date of the forecast, the Commission Spring 2025 Forecast projects a general government surplus of 1.4% of GDP in 2026. The increase in the surplus in 2026 mainly reflects the muted growth of current expenditure compared to revenue growth. These developments correspond to net expenditure growth of 3.1% in 2026. Based on the Commission's estimates, the fiscal stance, which includes both nationally and EU financed expenditure, is projected to be expansionary, by 0.8% of GDP, in 2026. The general government debt-to-GDP ratio is projected by the Commission to decrease to 140.6% by the end of 2026. The decrease of the debt-to-GDP ratio in 2026 mainly reflects the growth of nominal GDP as well as the achievement of budget surpluses.

Key policy challenges

(21) Several important measures have been carried out as part of the recovery and resilience plan to improve tax compliance and tax collection, such as a reform connecting cash registers with point-of-sale terminals with the tax authority's IT systems with the aim of combating tax evasion. However, there remains scope for further action, notably to target specific sectors that are prone to high tax evasion such as the fuel sector. Actions include completing the legal framework for the tax authority's monitoring tool of the fuel sector's value chain, installing tracking devices on container vehicles and ships transporting fuel, and amending judiciary codes to facilitate more effective enforcement of the legal framework. Furthermore, completing the ongoing organisational reform of the customs administration to centralise inspections is expected to result in more and better targeted on-site checks.

(22) Under the recovery and resilience plan, Greece is taking steps to complete legal codifications of key areas in its tax framework including income taxation, customs, VAT, property taxes and state debt collection. A streamlined and coherent tax framework would help make Greece's tax system more transparent and reduce the compliance costs for businesses. In turn, this would reduce the disincentives to invest, which could help narrow the still high investment gap. Once the legal codifications are in place, it is important that the legal framework remains stable and is supported by the swift provision of administrative guidance to businesses and individual taxpayers.

(23) Greece has continued to take steps to modernise its public administration, but there is still scope to increase efficiency. 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 2024 at 10.3% of GDP, in line with the EU average (10.2% 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 recovery and resilience plan 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. However, better coordination is likely to materialise only once the framework is fully operational, notably once the governance structures, information systems and legal codification are in place, clarifying the competencies of the regional and local administration (adoption planned in 2025).

(24) Progress has been made in reducing non-performing loans, but multiple challenges remain related to justice. Significant delays routinely faced by litigants in the adjudication of their disputes at the pre- and the post-auction stage of liquidation proceedings are far longer than the statutorily mandated deadlines for adjudication. This dissuades potential purchasers from participating in auctions and results in a high percentage of unsuccessful auctions, which undermines the overall efficiency of the debt resolution framework and 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 enacted procedural measures need to be complemented by further improvements to accelerate the adjudication 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.

(25) In accordance with Article 19(3), point (b), of Regulation (EU) 2021/241 and criterion 2.2 of Annex V to that Regulation, the recovery and resilience plan includes an extensive set of mutually reinforcing reforms and investments to be implemented by 2026. These are expected to help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations. Within this tight timeframe, finalising the effective implementation of the recovery and resilience plan, including the REPowerEU chapter, is essential to boost Greece's long-term competitiveness through the green and digital transitions, while ensuring social fairness. The Commission Communication NextGenerationEU – The road to 2026, adopted on 4 June 2025, clarifies the applicable timeline for the end of the Facility and provides guidance to Member States to maximise implementation by 31 August 2026, including on how to further streamline their RRPs, lays out key options to consider when revising them, and stresses the importance of careful joint planning ahead for the submission of the last payment requests in 2026. Greece has already made progress in implementing the reforms and investments in its Recovery and Resilience Plan. To deliver on the commitments of the recovery and resilience plan by August 2026, it is essential for Greece to accelerate the implementation of reforms and investments by addressing relevant challenges. Specific challenges for Greece include: (i) lengthy litigation processes to address legal claims against public procurement procedures risking delays in the planned completion date of investments beyond August 2026; (ii) slow transfer of property rights; and (iii) weak coordination, particularly as regards investment and reforms in policy areas that stretch beyond the remit of a single ministry. The systematic 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 recovery and resilience plan.

(26) 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), has accelerated in Greece. It is important to continue efforts to ensure the swift implementation of these programmes, while maximising their impact on the ground. Greece is already taking action under its cohesion policy programmes to boost competitiveness and growth while enhancing social cohesion. At the same time, Greece continues to face challenges to boost regional competitiveness and enhance social resilience, to strengthen water security by ensuring adequate rainwater management and wastewater compliance, to improve availability and access to affordable housing, including social housing, and to accelerate the energy transition, including by enhancing energy storage, integration of renewable energy sources and regional interconnectivity. In accordance with Article 18 of Regulation (EU) 2021/1060, Greece is required – as part of the mid-term review of the cohesion policy funds – to review each programme taking into account, among other things, the challenges identified in the 2024 country-specific recommendations. The Commission proposals adopted on 1 April 2025[17] extend the deadline for submitting an assessment – for each programme – of the outcome of the mid-term review beyond 31 March 2025. They also provide flexibilities to help speed up programme implementation and incentives for Member States to allocate cohesion policy resources to five strategic priority areas of the Union, namely competitiveness in strategic technologies, defence, housing, water resilience and energy transition, and to investments in skills in priority sectors while maintaining the focus on persons in most vulnerable situations in ESF+ programmes.

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[17] Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL 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 - COM(2025) 123 final.

(27) The Strategic Technologies for Europe Platform (STEP) provides the opportunity to invest in a key EU strategic priority by strengthening the EU's competitiveness. STEP is channelled through 11 existing EU funds. Member States can also contribute to the InvestEU programme supporting investments in priority areas. Greece could make optimal use of these initiatives to support the development or manufacturing of critical technologies, including clean and resource-efficient technologies.

(28) Beyond the economic and social challenges addressed by the recovery and resilience plan and other EU funds, Greece should effectively address the remaining challenges related to the regulatory burden, entry barriers to product and service markets, fragmentation of research policy and lengthy judicial proceedings, including the time needed to complete public procurement processes.

(29) As set in the Competitiveness Compass, all the EU, national, and local institutions must make a major effort to produce simpler rules and to accelerate the speed of administrative procedures. The Commission has set ambitious goals for reducing administrative burden: by at least 25% and by at least 35% for SMEs; and has created new tools to achieve these goals, including systematic stress test of the stock of EU legislation and enhanced stakeholders' dialogue. To match this ambition, Greece also needs to take action. 80% of businesses consider the complexity of administrative procedures to be a problem for their company when doing business in Greece[18]. Further reducing the administrative and regulatory burden for companies would help boost Greece's competitiveness. Despite substantial progress made to digitalise public services by implementing reforms and investments under Greece's recovery and resilience plan, Greece would further benefit from streamlining and digitalising administrative processes, in particular for permits and licences. This includes greater accountability of the public administration, for example by setting maximum processing times, and effectively enforcing adopted initiatives (e.g. permits for new renewable energy projects), under the responsibility of local and regional administrations and decentralised authorities. Incomplete legislation in environmental licensing remains a drag on investment. For instance, Greece has yet to legislate the conditions under which renewables projects with a limited environmental impact can be licensed. Regulation to activate the lower environmental classification in business parks are also pending for most types of activities. The legal framework for concession agreements for infrastructure on the seashore (Law 2971/2001), especially for industrial ports, is not conducive to investment. Moreover, incomplete legislation and excessive burden in the permitting process make it difficult for Greek companies to operate lawfully under this framework.

[18] 'Businesses' attitudes towards corruption in the EU' Flash Report, Eurobarometer Report (April 2024).

(30) Reviewing and removing the high entry barriers to the exercise of professional services and obstacles to new entrants to product markets is a priority for Greece. As evidenced by the 2023−2024 Product Market Regulation indices, Greece has one of the highest barriers to entry and to conducting business in the services sector in the EU. Some barriers to setting up and operating retail shops, such as permitting procedures, may hamper the functioning of the sector. Several professional services in Greece, including legal, architectural, and engineering professions, are subject to higher regulatory requirements than the OECD average. For instance, it has a high number of reserved activities for architects and engineers and high legal form restrictions for lawyers. Regarding networks, Greece has recently opened access, but the conditions for road transport and fixed electronic communications remain restrictive. Greece also scores poorly on barriers to trade facilitation on implementing measures to ensure that the impact on competition of new and existing regulation is assessed and minimised, and on ensuring public ownership does not distort competition, which are barriers to new entrants in product markets.

(31) Greece's research policy and research funding have long been scattered across several ministries, the Hellenic Foundation for Research and Innovation, and regional R&I authorities. In addition to frequent changes, coordination among these bodies has been weak. Access to funding for research activities suffers from excessive administrative requirements, slow evaluation procedures and perceived high bureaucratic burden. On access to finance, venture capital in Greece is below the EU average as a share of GDP. State-sponsored initiatives have had some success in mobilising investment for start-ups and the recovery and resilience plan is used to finance programmes to scale up businesses. Despite these measures, Greece would benefit from additional funding and a post-recovery and resilience plan R&I strategy to improve financing for innovation and to support its R&I ecosystem.

(32) Greece has made progress to improve the effectiveness and efficiency of the justice system, for example by revising the judicial map in civil, criminal and administrative justice and by digitising judicial processes. However, the length of proceedings before civil, penal and administrative courts is still one of the highest in the EU and causes major backlogs, which impedes economic development, business creation and investment. This issue is most acute in the enforcement of contractual and property rights, the speedy resolution of disputes, the effective completion of enforcement measures and in the conduct of public procurement proceedings. Further efforts aim to streamline the conduct of civil and commercial trials by bringing in procedural improvements in the first and the appellate degree, and in the context of enforcement; to enact legislation to actively encourage and extend the use of alternative dispute resolution mechanisms to revise further the legal framework on the organisation of courts and the status of judges and to continue to tackle the backlog affecting the adjudication of cases relating to public procurement.

(33) Despite having a growing share of renewable energy in its overall electricity production, Greece remains highly dependent on fossil fuels. Wholesale electricity prices are volatile and remain higher than the EU average, partially due to the high degree of dependency on natural gas for electricity generation. The REPowerEU chapter in Greece's recovery and resilience plan 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, for example by adapting the regulatory framework to allow for battery-storage providers to fully participate in wholesale energy markets. Greece records sizeable fossil-fuel subsidies with no phase-out planned by 2030. In particular, fossil-fuel subsidies that neither tackle energy poverty in a targeted way nor genuine energy security concerns hinder the process of electrification and are not crucial for industrial competitiveness could therefore be considered a phase-out priority. In Greece, fossil-fuel subsidies such as the use of coal and coke for industrial uses are economically inefficient and perpetuate the dependency on fossil fuels. While phasing out these subsidies, Greece would benefit from bringing in incentives to decarbonise industry and for more climate-friendly solutions in the transport sector. Electricity networks in Greece face capacity constraints as more renewable energy is added to the energy mix. There is scope for Greece to expand its cross-border interconnection capacity to better link with the internal energy market. However, lengthy permitting procedures for grid infrastructure remain a major bottleneck. Greece could also step up cooperation with neighbouring countries to explore ways to better use the existing capacity for electricity trading. There is also scope to improve the quality of distribution networks, as technical and non-technical losses of electricity on the grid are well above the EU average.

(34) 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's recovery and resilience plan contains several investments to promote electro-mobility, including replacing old public transport buses in Athens and Thessaloniki with electric buses. However, other measures such as replacing old taxis with electric taxis, have not received sufficient market interest and the rules to withdraw outdated professional vehicles are not properly enforced. Greece would benefit from drawing up a comprehensive strategy, including an investment plan and reforms, to promote the green and digital transition of the transport sector. The strategy would cover the shift to cleaner transport modes, including expanding the use of electric means of transport, and improvements to public transport by making them more accessible for people with disabilities, increasing the capacity of urban public transport and expanding integrated online ticketing for inter-regional bus services.

(35) Greece is committed to investing in railway infrastructure and safety. The action plan on rail safety and the masterplan for deployment of the European Rail Traffic Management System (ERTMS) set out steps to modernise the Greek rail system. Greece's recovery and resilience plan contains a reform to enable the country's rail infrastructure manager to effectively operate a modern railway network and complete investments in key safety systems and infrastructures. Greece could benefit from measures to provide the new rail infrastructure manager with sufficient and stable resources, to conclude a comprehensive performance contract, and to accelerate the roll-out of ERTMS on the railway network to increase interoperability, efficiency and safety.

(36) 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 work and the rehabilitation of affected infrastructure. It would be beneficial for Greece, which currently has one of the highest gaps in total insurance coverage for natural disasters in the EU, to continue efforts towards a structured approach to disaster-risk financing and to reduce the gaps in private insurance coverage for natural catastrophes, building on recently implemented measures . In view of intensified droughts, Greece's water resources become increasingly scarce and polluted, which is expected to have a severe impact on the environment, the economy and human health. The agricultural sector is by far the main consumer of water resources. Major challenges remain in urban wastewater treatment, as local water service providers run by small municipalities have neither the financial means nor the administrative and managerial capacities to apply optimal water management solutions based on the 'consumer and polluter pays' principle. Therefore, Greece would benefit from drawing up a plan for climate-proofing critical infrastructure, including water supply and demand management. Specifically on water management, this would entail improving the sustainability of water utility operations and investments by fostering an institutional reform focusing on how to improve the capacity and accountability of the municipal water companies.

(37) Greece's overall employment performance has been strong in recent years, reducing the gap with the EU average. However, the labour market participation of women remains very low, resulting in a gender employment gap that is well above the EU average (18.8 pps in Greece compared to 10.0 pps in the EU in 2024). Greece also has a considerable share of young people not in employment, education or training (14.2%) and vulnerable groups such as people with disabilities, third-country nationals or Roma face difficulties in accessing the job market. Encouraging flexible working arrangements, increasing childcare services and improving the coverage of long-term care can lay the ground for higher rate of people in work, especially young people, women and vulnerable groups. 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 and disproportionally affects marginalised and remote communities.

(38) Beyond the economic and social challenges addressed by the recovery and resilience plan 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 UNESCO-OECD-Eurostat data for Greece), Greece ranked last among EU Member states in terms of enrolment rate, while lack of more recent data makes monitoring progress difficult. Latest EU-SILC data show better results. Participation rates in early childhood education and care are lower for children under the age of three. In 2024, 28.8% of Greek children below the age of three attended early childhood education and care (EU 39.3%). 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. The rate is particularly low for children at risk of poverty or social exclusion. Better access to early childhood education and care linked to early skills development has been found to bring tangible and long-lasting benefits, in particular for disadvantaged children, and to contribute to substantial improvements in educational outcomes and skills development later in life.

(39) 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 classes, indicating structural challenges in the quality and equity of the education system. In parallel, the low shares of top performers in basic skills and creative thinking may lead to a limited pool of innovative talent in the country and affect its competitiveness. The very low levels of basic and digital skills among young people limit the prospects to develop higher skills and to reskill and upskill the workforce. 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 current skills forecasting mechanisms, and despite the recent establishment of a skills monitoring tool on a pilot basis, skills mismatches persist. The low performance of the vocational education and training system undermines efforts to close the wide gap between the job market demand for skills and the skills promoted by the education and training systems. Those challenges undermining Greece's education outcomes can be linked to limited funding for education policies, limited degree of school autonomy, difficulties in implementing competence-based teaching methods and the lack of a systematic evaluation culture despite the introduction of an evaluation system in 2022-23. Teachers still have limited career prospects, which is one of the factors that may limit the quality of education. 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[19].

[19] SWD(2025)95 – Second-stage country analysis on social convergence in line with the Social Convergence Framework (SCF), 2025 SWD(2025)95 – Second-stage country analysis on social convergence in line with the Social Convergence Framework (SCF), 2025.

(40) 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 2025, the Council recommended that the euro-area Member States take action, including through their recovery and resilience plans, to implement the 2025 Recommendation on the economic policy of the euro area. For Greece, recommendations (2), (3) and (4) help implement the first euro-area recommendation on competitiveness, while recommendations (4) and (5) help implement the second euro-area recommendation on resilience, and recommendation (1) helps implement the third euro-area recommendation on macro-economic and financial stability set out in the 2025 Recommendation.

(41) In light of the Commission's in-depth review and its conclusions on the existence of imbalances, recommendations under Article 6 of Regulation (EU) No 1176/2011 are reflected in recommendations (1), (2), (3) and (5). Policies referred to in recommendation (1) help to address vulnerabilities linked to government debt, the external position and non-performing loans. Policies referred to in recommendations (2), (3) and (5) support employment, competitiveness and potential GDP growth, and as a result also contribute to addressing vulnerabilities linked to government debt and the external position. Recommendations (1), (2), (3) and (5) contribute to both addressing imbalances and implementing the Recommendation on the economic policy of the euro area, in line with recital 40.

HEREBY RECOMMENDS that Greece take action in 2025 and 2026 to:

1. Reinforce overall defence and security spending and readiness while ensuring debt sustainability in line with the European Council conclusions of 6 March 2025. Adhere to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025, while making use of the allowance under the national escape clause for higher defence expenditure. Continue efforts to improve tax compliance, including through further centralisation and digitalisation of customs and tax inspections and improve the tax system's predictability. Further improve the effectiveness and efficiency of its 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. In view of the applicable deadlines for the timely completion of reforms and investments under Regulation (EU) 2021/241, accelerate implementation of the recovery and resilience plan, including the REPowerEU chapter. Accelerate the implementation of cohesion policy programmes (ERDF, JTF, ESF+, CF), building, where appropriate, on the opportunities offered by the mid-term review. Make optimal use of EU instruments, including the opportunities provided by the InvestEU programme and the Strategic Technologies for Europe Platform, to improve competitiveness.

3. Simplify regulation, improve regulatory tools and reduce administrative burden for companies by streamlining and digitalising administrative processes, completing the regulatory frameworks for environmental licensing and granting concession agreements on the seashore. Review and remove the high entry barriers to the exercise of professional services and to new entrants to product markets. Improve the governance of the national research, development and innovation system by reducing the fragmentation of research policy management and funding sources, and by facilitating access to finance for start-ups and scale-ups, including developing local private equity and venture capital markets with state-sponsored initiatives to mobilise investment. Streamline judicial proceedings and curtail their length by accelerating civil proceedings, adopting a code on alternative dispute resolution mechanisms, further revising the code of judges, and continuing efforts to accelerate the judicial resolution of disputes related to public procurement.

4. Developing non-fossil flexibility solutions, including demand-response and storage, which will contribute in making electricity prices more affordable; recalibrating energy taxes to incentivise electrification; taking concrete steps to phase out fossil-fuel subsidies in particular in the industrial sector; and increasing the capacity of electricity networks by streamlining the licensing process for new transmission networks and by improving the quality of the distribution network to reduce technical and non-technical losses. Accelerate the decarbonisation of the transport sector under a comprehensive strategy with reforms and investment in the shift to electric mobility, upgrading urban and inter-regional public transport, and improving railway infrastructure and operations, including by undertaking the short-term organisational reform work required and the accelerated deployment of the European Rail Traffic Management System on the railway network to improve interoperability, efficiency and safety. Draw up a plan for climate-proofing key infrastructure, including the water supply; reform the institutional framework to improve the capacity and accountability of local water service providers; and take steps to increase private insurance coverage against natural disaster-related damages.

5. Increase the rate of women and vulnerable groups in work or looking for work, and help more young people find work by promoting more flexible work arrangements, expanding formal early childhood care and education and long-term care, reinforcing active labour market policies, and tackling skill mismatches. Improve educational outcomes by enhancing continuous professional development for teachers focused on competence-based approaches and aligning student assessment to these approaches, improving school autonomy, and expanding teacher evaluation. Address poverty and social exclusion by further increasing the effectiveness and efficiency of the social protection system.

Done at Brussels,

For the Council
The president