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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
No. Cion doc.:	9407/22 - COM(2022) 609 final
Subject:	Recommendation for a COUNCIL RECOMMENDATION on the 2022 National Reform Programme of Greece and delivering a Council opinion on the 2022 Stability Programme of Greece

Delegations will find attached the abovementioned draft Council Recommendation, as revised and agreed by various Council committees, based on the Commission proposal COM(2022) 609 final.

COUNCIL RECOMMENDATION

of …

on the 2022 National Reform Programme of Greece and delivering a Council opinion on the 2022 Stability Programme 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 Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies[1], and in particular Article 5(2) 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:

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[1] OJ L 209, 2.8.1997, p. 1.

[2] OJ L 306, 23.11.2011, p. 25.

(1) Regulation (EU) 2021/241 of the European Parliament and of the Council[3], which established the Recovery and Resilience Facility, entered into force on 19 February 2021. The Recovery and Resilience Facility provides financial support for the implementation of reforms and investment, entailing a fiscal impulse financed by the Union. It contributes to the economic recovery and to the implementation of sustainable and growth-enhancing reforms and investment, in particular to promote the green and digital transitions, while strengthening the resilience and potential growth of the Member States' economies. It also helps strengthen sustainable public finances and boost growth and job creation in the medium and long term. The maximum financial contribution per Member State under the Recovery and Resilience Facility will be updated in June 2022, in line with Article 11(2) of Regulation (EU) 2021/241.

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3 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).

(2) On 24 November 2021, the Commission adopted the Annual Sustainable Growth Survey, marking the start of the 2022 European Semester for economic policy coordination. It took due account of the Porto Social Commitment signed on 7 May 2021 to further implement the European Pillar of Social Rights, proclaimed by the European Parliament, the Council and the Commission on 17 November 2017. The European Council endorsed the priorities of the 2022 Annual Sustainable Growth Survey on 25 March 2022. On 24 November 2021, on the basis of Regulation (EU) No 1176/2011, the Commission also adopted the Alert Mechanism Report, in which it identified Greece as one of the Member States for which an in-depth review would be needed. On the same date, the Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area and a proposal for the 2022 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] ('2022 Recommendation on the euro area') on 5 April 2022 and the Joint Employment Report on 14 March 2022.

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4 Council Recommendation of 5 April 2022 on the economic policy of the euro area (OJ C 153, 7.4.2022, p. 1).

(3) Russia's invasion of Ukraine, in the wake of the global pandemic, has significantly altered the geopolitical and economic context. The impact of the invasion on Member States' economies has been felt through, inter alia, higher prices for energy, food and raw materials and weaker growth prospects. The higher energy prices weigh particularly heavily on the most vulnerable households experiencing or at risk of energy poverty as well as on firms most vulnerable to energy prices hikes. The Union is also seeing an unprecedented inflow of people fleeing Ukraine. The economic effects stemming from Russia's war of aggression have impacted Member States asymmetrically. In this context, on 4 March 2022, Council Directive 2001/55/EC[5] was triggered for the first time by Council Implementing Decision (EU) 2022/382[6], granting displaced persons from Ukraine the right to legally stay in the Union, as well as access to education and training, the labour market, healthcare, housing and social welfare.

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5 Council Directive 2001/55/EC of 20 July 2001 on minimum standards for giving temporary protection in the event of a mass influx of displaced persons and on measures promoting a balance of efforts between Member States in receiving such persons and bearing the consequences thereof (OJ L 212, 7.8.2001, p. 12).

6 Council Implementing Decision (EU) 2022/382 of 4 March 2022 establishing the existence of a mass influx of displaced persons from Ukraine within the meaning of Article 5 of Directive 2001/55/EC, and having the effect of introducing temporary protection (OJ L 71, 4.3.2022, p. 1).

(4) Taking account of the rapidly changing economic and geopolitical situation, the European Semester resumes its broad economic and employment policy coordination in 2022, while evolving in line with the implementation requirements of the Recovery and Resilience Facility, as outlined in the 2022 Annual Sustainable Growth Survey. The implementation of the adopted recovery and resilience plans is essential for the delivery of the policy priorities under the European Semester, as the plans address all or a significant subset of the relevant country-specific recommendations issued in the 2019 and 2020 European Semester cycles. The 2019 and 2020 country-specific recommendations remain equally relevant also for the recovery and resilience plans revised, updated or amended in accordance with Articles 14, 18 and 21 of Regulation (EU) 2021/241, in addition to any other country-specific recommendations issued up to the date of submission of such revised, updated or amended recovery and resilience plans.

(5) The general escape clause of the Stability and Growth Pact has been active since March 2020. In its communication of 3 March 2021 entitled 'One year since the outbreak of COVID-19: fiscal policy response', the Commission set out its view that the decision on the deactivation or continued application of the general escape clause should be taken as an overall assessment of the state of the economy, with the level of economic activity in the Union or euro area compared to pre-crisis levels (end of 2019) as a key quantitative criterion. Heightened uncertainty and strong downside risks to the economic outlook in the context of war in Europe, unprecedented energy price hikes and continued supply-chain disturbances warrant the extension of the general escape clause of the Stability and Growth Pact through 2023.

(6) Following the approach in the Council Recommendation of 18 June 2021[7] on the 2021 Stability Programme of Greece, the overall fiscal stance is currently best measured as the change in primary expenditure (net of discretionary revenue measures and excluding temporary emergency measures related to the COVID-19 crisis) but including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds, relative to medium-term potential growth[8]. Going beyond the overall fiscal stance, in order to assess whether national fiscal policy is prudent and its composition is conducive to a sustainable recovery consistent with the green and digital transitions, attention is also paid to the evolution of nationally financed[9] primary current expenditure (net of discretionary revenue measures and excluding temporary emergency measures related to the COVID-19 crisis) and investment.

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7 Council Recommendation of 18 June 2021 delivering a Council opinion on the 2021 Stability Programme of Greece (OJ C 304, 29.7.2021, p. 33).

8 The estimates on the fiscal stance and its components in this Recommendation are Commission estimates based on the assumptions underlying the Commission's 2022 spring forecast. The Commission's estimates of medium-term potential growth do not include the positive impact of reforms that are part of the recovery and resilience plan and that can boost potential growth.

9 Not financed by grants under the Recovery and Resilience Facility or other Union funds.

(7) On 2 March 2022, the Commission adopted a communication providing broad guidance for fiscal policy in 2023 ('the fiscal guidance') aimed at supporting the preparation of Member States' Stability and Convergence Programmes and thereby strengthening policy coordination. The Commission noted that, on the basis of the macroeconomic outlook of the 2022 winter forecast, transitioning from an aggregate supportive fiscal stance in 2020–2022 to a broadly neutral aggregate fiscal stance, while standing ready to react to the evolving economic situation, would appear appropriate in 2023. The Commission announced that the fiscal recommendations for 2023 should continue to differentiate between Member States and take into account possible cross-country spillovers. The Commission invited the Member States to reflect the guidance in their Stability and Convergence Programmes. The Commission committed to closely monitor the economic developments and adjust its policy guidance as needed and at the latest in its European Semester spring package of late May 2022.

(8) With respect to the fiscal guidance, the fiscal recommendations for 2023 take into account the worsened economic outlook, the heightened uncertainty and further downside risks, and the higher inflation compared to the Commission's 2022 winter forecast. Against these considerations, the fiscal response has to expand public investment for the green and digital transitions and energy security, and sustain the purchasing power of the most vulnerable households so as to cushion the impact of the energy price hike and help limit inflationary pressures from second-round effects via targeted and temporary measures. Fiscal policy has to remain agile so as to adjust to the rapidly evolving circumstances, including challenges that arise from Russia's war of aggression against Ukraine with regard to defence and security, and has to differentiate between Member States according to their fiscal and economic situation, including as regards their exposure to the crisis and the inflow of displaced persons from Ukraine.

(9) 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 Regulation (EU) 2021/241, 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 to that Regulation. On 13 July 2021, the Council adopted its Implementing Decision on the approval of the assessment of the recovery and resilience plan for Greece[10]. The release of instalments is conditional on the adoption of a decision by the Commission, in accordance with Article 24(5) of Regulation (EU) 2021/241, stating that Greece has satisfactorily fulfilled the relevant milestones and targets set out in the Council Implementing Decision. Satisfactory fulfilment presupposes that the achievement of preceding milestones and targets has not been reversed.

(10) On 30 April 2022, Greece submitted its 2022 National Reform Programme and, on 29 April 2022, its 2022 Stability Programme, in line with Article 4 of Regulation (EC) No 1466/97. To take account of their interlinkages, the two programmes have been assessed together. In accordance with Article 27 of Regulation (EU) 2021/241, the 2022 National Reform Programme also reflects Greece's biannual reporting on the progress made in implementing its recovery and resilience plan.

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[10] ST 10152/2021.

(11) The Commission published the 2022 country report for Greece on 23 May 2022. It assessed Greece's progress in addressing the relevant country-specific recommendations adopted by the Council in 2019, 2020 and 2021, and took stock of Greece's implementation of the recovery and resilience plan, building on the recovery and resilience scoreboard. On the basis of that analysis, the country report identified gaps with respect to those challenges that are not addressed or only partially addressed by the recovery and resilience plan, as well as new and emerging challenges, including those emerging from Russia's invasion of Ukraine. 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.

(12) The Commission carried out an in-depth review under Article 5 of Regulation (EU) No 1176/2011 for Greece and published its results on 23 May 2022. The Commission concluded that Greece is experiencing excessive macroeconomic imbalances. Vulnerabilities relate to high government debt, incomplete external rebalancing and high non-performing loans in a context of low potential growth and high unemployment.

(13) On 23 May 2022, the Commission issued a report under Article 126(3) of the Treaty. That report discussed the budgetary situation of Greece, as its general government deficit in 2021 exceeded the Treaty reference value of 3 % of gross domestic product (GDP). The report concluded that the deficit criterion was not fulfilled. In line with the communication of 2 March 2022, the Commission did not propose to open new excessive-deficit procedures in spring 2022 and will reassess twhether it is necessary to propose the opening of such procedures in autumn 2022.

(14) In its Recommendation of 20 July 2020[11], the Council recommended Greece to take in 2020 and 2021 all necessary measures, in line with the general escape clause, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. It also recommended Greece to pursue, when economic conditions allow, fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. In 2021, according to data validated by Eurostat, Greece's general government deficit fell from 10,2 % of GDP in 2020 to 7,4 %. The fiscal policy response by Greece supported the economic recovery in 2021, while temporary emergency measures declined from 7,6 % of GDP in 2020 to 7,2 % in 2021. The measures taken by Greece in 2021 were in line with the Council Recommendation of 20 July 2020. The discretionary budgetary measures adopted by the government in 2020 and 2021 were temporary or matched by offsetting measures. According to data validated by Eurostat, general government debt fell from 206,3 % of GDP in 2020 to 193,3 % of GDP in 2021.

11 Council Recommendation of 20 July 2020 on the 2020 National Reform Programme of Greece and delivering a Council opinion on the 2020 Stability Programme of Greece (OJ C 282, 26.8.2020, p. 46).

(15) The macroeconomic scenario underpinning the budgetary projections in the 2022 Stability Programme is realistic for 2022 and favourable for 2023. The 2022 Stability Programme projects real GDP to grow by 3,1 % in 2022 and 4,8 % in 2023. By comparison, the Commission's 2022 spring forecast projects higher real GDP growth of 3,5 % in 2022 and lower real GDP growth of 3,1 % in 2023. The difference between the forecasts is mainly driven by the different assumptions on the pace of absorption of Union funds as well as on the impact of the military aggression of Russia against Ukraine, particularly on private consumption. In its 2022 Stability Programme, the government expects that the headline deficit will decrease to 4,4 % of GDP in 2022 and to 1,4 % in 2023. The decrease in 2022 mainly reflects the ongoing recovery in economic activity and the unwinding of most emergency measures. According to the 2022 Stability Programme, the general government debt-to-GDP ratio is expected to decrease strongly to 180,2 % in 2022, and to decline to 168,6 % in 2023. Based on policy measures known at the cut-off date of the forecast, the Commission's 2022 spring forecast projects a government deficit for 2022 and 2023 of 4,3 % of GDP and 1,0 % respectively. This is broadly in line with the deficit projected in the 2022 Stability Programme. Notwithstanding the difference in real GDP growth, the Commission's 2022 spring forecast assumes more dynamic price and wage growth for both 2022 and 2023, thereby projecting higher revenues from personal income taxation. The Commission's 2022 spring forecast projects a higher general government debt-to-GDP ratio of 185,7 % in 2022 and 180,4 % in 2023. The difference is due to different estimation of differences between cash and accrual fiscal balances as well as different assumption on net accumulation of financial assets. According to the Commission's 2022 spring forecast, the current estimate of the medium-term (10-year-average) potential output growth is -0,3 %. However, that estimate partially reflects the past period of deep economic recession experienced by Greece and does not include the impact of the reforms that are part of the recovery and resilience plan and can boost Greece's potential growth.

(16) In 2022, the government phased out the majority of measures taken in response to the COVID-19 crisis, such that the temporary emergency measures are projected to decline from 7,2 % of GDP in 2021 to 1,8 % in 2022. The government deficit is impacted by the measures adopted to counter the economic and social impact of the increase in energy prices, which in the Commission's 2022 spring forecast are estimated at 1,1 % of GDP in 2022 and no fiscal impact in 2023 as they are planned to be phased out[12]. This impact on the deficit is partially offset by higher revenues from the emission allowances. Those measures mainly consist of subsidies to energy users, social transfers to poorer households and cuts to indirect taxes on transport services. Those measures have been announced as temporary. Following the submission of Greece’s Stability Programme and the cut-off date of the Commission's 2022 spring forecast, the government announced a new package of measures for 2022, which aim to address the consequences of increased energy prices. In the event that energy prices remain elevated in 2023, some of those measures could be continued. The government deficit is also impacted by the cost of offering temporary protection to displaced persons from Ukraine, which in the Commission's 2022 spring forecast is projected at 0,1 % of GDP in 2022 and 0,1 % in 2023[13].

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[12] The figures represent the level of annual budgetary costs of those measures taken since autumn 2021, including current revenue and expenditure as well as – where relevant – capital expenditure measures.

[13] It is assumed that the total number of persons displaced from Ukraine to the Union will gradually reach 6 million by the end of 2022, and their geographical distribution is estimated on the basis of the size of the existing diaspora, the relative population of the receiving Member State, and the actual distribution of displaced persons from Ukraine across the Union as of March 2022. For budgetary costs per person, estimates are based on the Euromod microsimulation model of the Commission’s Joint Research Centre, taking into account both cash transfers people may be eligible for as well as in-kind benefits such as education and healthcare.

(17) In its Recommendation of 18 June 2021, the Council recommended that in 2022 Greece should use the Recovery and Resilience Facility to finance additional investment in support of the recovery while pursuing a prudent fiscal policy. Moreover, it should preserve nationally financed investment. The Council also recommended Greece to pursue, when economic conditions allow, a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term and, at the same time, to enhance investment to boost growth potential.

(18) In 2022, according to the Commission's 2022 spring forecast and including the information incorporated in Greece's 2022 Stability Programme, the fiscal stance is projected to be supportive at -3,3 % of GDP[14]. Greece plans to provide continued support to the recovery by making use of the Recovery and Resilience Facility to finance additional investment as recommended by the Council. The positive contribution to economic activity of expenditure financed by grants under the Recovery and Resilience Facility and other Union funds is projected to increase by 0,2 percentage points of GDP compared to 2021. Nationally financed investment is projected to provide an expansionary contribution to the fiscal stance of 0,8 percentage points in 2022[15]. Therefore, Greece plans to preserve nationally financed investment, as recommended by the Council. At the same time, the growth in nationally financed primary current expenditure (net of new revenue measures) in 2022 is projected to provide an expansionary contribution of 2,2 percentage points to the overall fiscal stance. That significant expansionary contribution includes the additional impact of the measures to address the economic and social impact of the increase in energy prices (0,6 % of GDP) as well as the costs to offer temporary protection to displaced persons from Ukraine (0,1 % of GDP), while the increased expenditure for pensions and social benefits is also projected to contribute (0,6 % of GDP) to the growth in net current expenditure. According to the Commission's forecast, discretionary measures are not fully matched by offsetting measures.

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14 A negative sign of the indicator corresponds to an excess of primary expenditure growth compared with medium-term economic growth, indicating an expansionary fiscal policy.

15 Other nationally financed capital expenditure is projected to provide an expansionary contribution of 0,1 percentage point of GDP.

(19) In 2023, the fiscal stance is projected in the Commission's 2022 spring forecast at +1,5 % of GDP on a no-policy-change assumption[16]. Greece is projected to continue using the grants under the Recovery and Resilience Facility in 2023 to finance additional investment in support of the recovery. The positive contribution to economic activity of expenditure financed by grants under the Recovery and Resilience Facility and other Union funds is projected to decrease by 0,3 percentage points of GDP compared to 2022, reflecting the starting phase of the new programming period for other Union funds. Nationally financed investment is projected to provide an expansionary contribution to the fiscal stance of 0,6 percentage points in 2023[17]. At the same time, growth in nationally financed primary current expenditure (net of new revenue measures) in 2023 is projected to provide a contractionary contribution of 1,7 percentage points to the overall fiscal stance. This includes the impact from the phasing out of the measures addressing the increased energy prices of 1,1 % of GDP.

(20) In the 2022 Stability Programme, the general government deficit is expected to gradually decline to 0,4 % of GDP in 2024 and to 0,1 % by 2025. Therefore, the general government deficit is planned to remain below 3 % of GDP over the Programme horizon. Those projections assume that the economic recovery will continue and factor in the prolongation of growth-friendly reductions in the solidarity surcharge applied on top of the personal income tax, and in the social solidarity contributions. According to the 2022 Stability Programme, the general government debt-to-GDP ratio is expected to decrease further, specifically with a decrease to 155,2 % in 2024, and a decline to 146,5 % in 2025. According to the Commission's analysis, debt sustainability risks appear high over the medium term.

16 A positive sign of the indicator corresponds to an shortfall of primary expenditure growth compared with medium-term economic growth, indicating an contractionary fiscal policy.

17 Other nationally financed capital expenditure is projected to provide a neutral contribution of 0,0 percentage points of GDP.

(21) Building on reforms undertaken as part of the recovery and resilience plan, modifications in Greece’s tax policy framework could help address the investment gap. More specifically, the introduction of a wider advance tax-ruling system could strengthen legal certainty for investors and reinforce ongoing efforts to simplify the tax system. Further, building on best practice from other Member States, a review of the existing annual lump-sum tax on the self-employed (on top of personal income tax) could improve the structure of the tax burden on the self-employed, encourage voluntary tax compliance, and support investments. Greece is continuing to take steps to modernise its public administration, but its overall performance remains low, which is partially due to the challenge of attracting and maintaining high-calibre staff. The recovery and resilience plan contains measures aiming to improve the effectiveness of the public administration, with a particular focus on improving its digital services. Beyond the measures that are part of its recovery and resilience plan, Greece is progressing in setting up an integrated human resources management system with digital organisational charts for public-sector entities and job descriptions for all posts now in place. This is expected to facilitate the allocation of resources according to identified and prioritised needs. At the same time, while the number of permanent officials has been kept broadly stable thanks to the one-in-one-out hiring rule that remains in place, there has been a steep increase in temporary staff by nearly 25 % since 2018. The increase in the size of the public administration could reverse the efforts made to move Greece’s wage bill (compared to GDP) towards the Union average. Beyond the fiscal risk, given that the selection process for temporary posts is not as thorough as for permanent posts, this could weaken the integrity of the new selection process put in place for permanent civil servants. The continuation of the one-in-one-out hiring rule for permanent staff, which has been complemented by setting a ceiling for temporary staff that is being applied as of 2022, sets an overall framework for strengthening central control of hirings and enabling staffing numbers to move towards pre-pandemic levels.

If the expected reduction in overall staffing levels is realised, this could allow for remuneration levels to be adjusted for specific posts and entities deemed critical and where the public administration is facing difficulties in attracting and maintaining qualified staff. This could entail linking the job description to a supplementary wage grid or establishing a special wage grid for specific public sector entities (e.g. market regulators), as such systematic approaches would not risk undermining the unified wage grid and are consistent with prudent fiscal policy. Finally, while the recovery and resilience plan does include measures to strengthen active labour market policies, there remains scope for further action to increase the employability of young people and women, to support an inclusive labour market built on more and better jobs.

(22) 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 with an indicative timetable for implementation to be completed by 31 August 2026. These help address all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Greece by the Council in the European Semester in 2019 and 2020, in addition to any country-specific recommendations issued up to the date of adoption of a recovery and resilience plan. In particular, those recommendations address the quality and sustainability of public finances; accessibility and resilience of the health system; active labour market policies; policies supporting public investment in education, skills and employability; research and development; safe, smart, sustainable and resilient transport and logistics; clean and efficient production and use of energy, including renewable energy and interconnection projects; environmental infrastructure; renewal of urban areas; and the digital transformation of the public administration and businesses. The recovery and resilience plan also includes a significant number of measures addressing challenges with regard to fiscal structural policies, social welfare, financial stability, labour and product markets, and the modernisation of public administration, all of which follow up, broaden and complement post-programme commitments. The recovery and resilience plan also contains measures to improve competitiveness and promote private investment by improving the business environment and simplifying the regulatory framework. Those reforms are complemented by a loan facility that is intended to incentivise private investment in transformative sectors of the economy, including the green transition and digital transformation.

(23) The implementation of the recovery and resilience plan of Greece is expected to contribute to making further progress on the green and digital transitions. Measures supporting the climate objectives in Greece account for 37,5 % of the recovery and resilience plan's total allocation, while measures supporting digital objectives account for 23,3 % of the recovery and resilience plan's total allocation. The fully fledged implementation of the recovery and resilience plan, in line with the relevant milestones and targets, will help Greece swiftly recover from the fallout of the COVID-19 crisis, while strengthening its resilience. The systematic involvement of social partners and other relevant stakeholders remains important for the successful implementation of the recovery and resilience plan, as well as other economic and employment policies going beyond the recovery and resilience plan, to ensure broad ownership of the overall policy agenda.

(24) Greece's recovery and resilience plan sets out a comprehensive management framework for coordinating, implementing and monitoring the investment and reform measures. However, the actual implementation of the recovery and resilience plan will crucially hinge on the administrative and implementation capacity of the implementing bodies and will need to be closely monitored. The technical services of the regional and local administration, including municipal companies, are expected to contribute to the implementation of a number of components, and their administrative capacity, in particular for the smaller municipalities, is usually limited and it would be important for additional support from the central level to be made available when needed. Respecting strict time schedules, reacting quickly to blockages and finding solutions will be critical for the smooth implementation of the recovery and resilience plan. A high-level inter-ministerial working group to address bottlenecks may be useful. Finally, in terms of overall coordination, the Recovery and Resilience Facility Agency, which is part of the Ministry of Finance, will have a key role, and sufficient resources are expected to be assigned to it, while the close collaboration of the Recovery and Resilience Facility Agency and the General Secretariat for Coordination (which is responsible for coordinating the reform measures) is essential.

(25) The Commission approved the Partnership Agreement, provided for in Regulation (EU) 2021/1060 of the European Parliament and of the Council[18], of Greece on 29 July 2021. In October and November 2021 Greece submitted its 21 cohesion policy programmes to the Commission. In line with Regulation (EU) 2021/1060, Greece has taken into account the relevant country-specific recommendations in the programming of the 2021–2027 cohesion policy funds. This is a prerequisite for improving the effectiveness and maximising the added value of the financial support to be received from cohesion policy funds, while promoting coordination, complementarity and coherence between those cohesion policy funds and other Union instruments and funds. The successful implementation of the Recovery and Resilience Facility and cohesion policy programmes also depends on the removal of bottlenecks to investment to support the green and digital transitions and balanced territorial development.

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18 Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (OJ L 231, 30.6.2021, p. 159).

(26) Following its successful completion of the financial assistance programme under the European Stability Mechanism in 2018, Greece has been subject to enhanced surveillance in accordance with Regulation (EU) No 472/2013 of the European Parliament and of the Council[19]. Enhanced surveillance has served to monitor the implementation of specific commitments given by Greece to the Eurogroup on 22 June 2018 to complete key structural reforms started under the programme. The implementation of those commitments, by agreed deadlines up to mid-2022, serves as a basis for debt relief; thus, Greece has entered the final year of that arrangement. As reported in the 14th enhanced surveillance report published on 23 May 2022, despite the difficult circumstances of the pandemic and more recently the economic impact of Russia's military aggression against Ukraine, Greece has effectively implemented the bulk of the policy commitments, which has improved the resilience of the Greek economy and strengthened its financial stability. Nevertheless, some elements remain to be fully completed. This is particularly the case for completing the national cadastre, which would further improve Greece's business climate. Progress has been significant in the past years, and the full cadastre is expected to be completed by December 2022. The implementation of the cadastre has been supported by Union Structural Funds. More recently, the Recovery and Resilience Facility provides support for digitalising registrations and deeds of property rights. In the context of the cadastre project, Greece also needs to finalise the cadastral mapping, the operationalisation of the cadastre agency, and the ratification of the forest maps covering the whole country.

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[19] Regulation (EU) No 472/2013 of the European Parliament and of the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability (OJ L 140, 27.5.2013, p. 1).

(27) Beyond the economic and social challenges addressed by the recovery and resilience plan, Greece faces a number of additional challenges related to healthcare. Out-of-pocket payments in Greece are still high and account for more than a third of total healthcare spending (35 %)[20]. They are largely linked to pharmaceutical co-payments and direct payments for services outside the benefits package. In turn, this is linked to what is still relatively high (compared to the Union average) public spending on pharmaceuticals and to relatively low (compared to the Union average) spending on therapeutic care, especially on outpatients. A well-functioning primary healthcare system covering the whole population and with an effective gatekeeping function can increase efficiency and access to healthcare goods and services. In this respect, the full implementation of the amendments of the primary healthcare system that are expected to be adopted in the context of enhanced surveillance will be critical for a well-functioning healthcare system. The reform follows previous efforts to establish a comprehensive primary healthcare system, which have, however, encountered implementation challenges. To this end, expanding the stock of family doctors to achieve full population coverage and population registration will be key to ensuring adequate and equal access to healthcare for the population.

(28) In response to the mandate by the Union Heads of State or Government set out in the Versailles Declaration, the Commission's proposal for a REPowerEU plan aims to phase out the Union’s dependence on fossil-fuel imports from Russia as soon as possible. For this purpose, the Commission intends to identify the most-suitable projects, investments and reforms at national, regional and Union level in dialogue with Member States. These measures aim to reduce overall reliance on fossil fuels, and shift fossil-fuel imports away from Russia.

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20 Figures from 2019 and part of the State of Health in the EU, Greece: Country Health Profile, OECD, 2021 (https://www.oecd.org/health/greece-country-health-profile-2021-4ab8ea73-en.htm).

(29) According to 2020 data, oil and gas make up 50 % and 24 % of Greece's energy mix, respectively. Greece's dependency on Russia for both its oil[21] and gas imports is slightly below the Union average with 18 % compared to the Union average of 26 % for crude oil and 39 % compared to 44 % respectively for gas[22]. 87 % of its coal imports come from Russia, but it domestically sources a large amount of lignite. To reduce its gas dependency from Russia and diversify its energy mix away from fossil fuels, including achieving its commitment to phase out of all lignite-based electricity production by 2028, a number of measures could be further pursued that build and go beyond the investments and reforms that are part of Greece's recovery and resilience plan. Greece could accelerate the expansion of renewable energy and speed up the establishment of an organised market platform facilitating bilateral power purchasing agreements for renewable electricity. Permitting reforms included in Greece's recovery and resilience plan will reduce obstacles to investment in the renewable energy sector. There is scope for Greece to start developing hydrogen infrastructure, in particular in Greek ports, to facilitate the transport of hydrogen. Planned infrastructure investments by the network operators could be expedited and expanded in scope, in particular the installation of sub-stations. In addition, the average time needed by the network operators to process and finalise the terms of connection for new renewable energy installations could be reduced. Additional electricity interconnections with neighbouring countries would allow for increased renewable energy to be taken on by the grid. Greece needs to accelerate the diversification of gas routes by swiftly completing existing investments at an advanced phase.

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21 Eurostat (2020), share of Russian imports over total imports of crude oil. For the EU27 average, the total imports are based on extra-EU27 imports. For Greece, total imports include intra-EU trade. Crude oil does not include refined oil products. An important share of Greece's total oil imports is refinery feedstock. Greece is highly dependent on Russian imports for these, with 86 % of total refinery feedstock imports coming from Russia.

22 Eurostat (2020), share of Russian imports over total imports of natural gas and hard coal. For the EU27 average, the total imports are based on extra-EU27 imports. For Greece, total imports include intra-EU trade. Crude oil does not include refined oil products.

New infrastructure and network investment related to gas is recommended to be future-proof where possible, in order to facilitate their long-term sustainability through future repurposing for sustainable fuels. Greece could also expand the scope and ambition of existing energy saving measures and reduce the high level of energy poverty (17,1 % in 2020), including by using cohesion policy funds, where appropriate, for example to renovate building stock. Existing market barriers limiting the scope of renovations for specific segments could be mitigated through targeted legislative and financial incentives. A further increase in ambition in respect of reducing greenhouse-gas emissions and increasing renewable energy and energy efficiency will be needed in order for Greece to be in line with the 'Fit for 55' objectives'. In addition, there is a need to speed up decarbonisation in the transport sector, which remains heavily reliant on oil, by promoting sustainable mobility, including public transport and railway projects.

(30) While the acceleration of the transition towards climate neutrality and away from fossil fuels will create significant restructuring costs in several sectors, Greece can make use of the Just Transition Mechanism in the context of cohesion policy to alleviate the socioeconomic impact of the transition in the most-affected regions. In addition, Greece can make use of the European Social Fund Plus, established by Regulation (EU) 2021/1057 of the European Parliament and of the Council[23], to improve employment opportunities and strengthen social cohesion.

(31) In the light of the Commission's assessment, the Council has examined the 2022 Stability Programme and its opinion[24] is reflected in recommendation (1).

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23 Regulation (EU) 2021/1057 of the European Parliament and of the Council of 24 June 2021 establishing the European Social Fund Plus (ESF+) and repealing Regulation (EU) No 1296/2013 (OJ L 231 30.6.2021, p. 21).

24 Under Article 5(2) of Regulation (EC) No 1466/97.

(32) 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, the Council recommended that the euro-area Member States take action, including through their recovery and resilience plans, to implement the recommendations set out in the 2022 Recommendation on the euro area. For Greece, this is reflected in particular in recommendations (1) and (2).

(33) In the light of the Commission's in-depth review and its assessment, the Council has examined the 2022 National Reform Programme and the 2022 Stability Programme. Its recommendations under Article 6 of Regulation (EU) No 1176/2011 are reflected in recommendations (1), (2) and (4). Recommendations (1) and (2) also contribute to the implementation of the 2022 Recommendation on the euro area, in particular the first, second and fourth euro-area recommendations. Fiscal policies referred to in recommendations (1) and (2) help address, inter alia, imbalances linked to the high government debt and the incomplete external rebalancing, while also facilitating addressing the high unemployment and low potential growth. Policies referred to in recommendation (4) help address, inter alia, vulnerabilities linked to high external debt in the longer term,

HEREBY RECOMMENDS that Greece take action in 2022 and 2023 to:

1. In 2023, ensure prudent fiscal policy, in particular by limiting the growth of nationally financed primary current expenditure below medium-term potential output growth, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Stand ready to adjust current spending to the evolving situation. Expand public investment for the green and digital transitions, and for energy security taking into account the REPowerEU initiative, including by making use of the Recovery and Resilience Facility and other Union funds. For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring credible and gradual debt reduction and fiscal sustainability in the medium term through gradual consolidation, investment and reforms. Build on reforms undertaken as part of the recovery and resilience plan, improve the investment-friendliness of the taxation system by introducing a wider advance tax-ruling system and review the structure of the tax burden on the self-employed. Safeguard the efficiency of the public administration while ensuring it can attract the right skills and preserving consistency with the unified wage grid.

2. Proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 13 July 2021. Swiftly finalise the negotiations with the Commission on the 2021–2027 cohesion policy programming documents with a view to starting their implementation. Complete outstanding reforms that have been pursued under enhanced surveillance, including the cadastre reform.

3. With a view to ensuring adequate and equal access to healthcare, complete the rollout of the primary healthcare reform in line with the framework amended under enhanced surveillance, including staffing of all primary healthcare units, implementing population registration and introducing effective gatekeeping by general practitioners.

4. Reduce overall reliance on fossil fuels, and diversify imports of fossil fuels by accelerating deployment of renewable energy and the development of infrastructure that would enable renewable hydrogen. Also address dependency through ensuring sufficient capacity of electricity networks and interconnections as well as gas interconnections and diversifying gas supply routes. Strengthen the energy services market framework and step up energy efficiency-enhancing measures through reforms and market incentives to support the decarbonisation of the building sector and the transport sector, particularly by promoting electric mobility.

Done at Brussels,

For the Council

The President