Council of the
European Union

Brussels, 30 June 2023
(OR. en)

11138/23

ECOFIN 663
UEM 197
SOC 489
EMPL 340
COMPET 684
ENV 763
EDUC 276
RECH 308
ENER 399
JAI 909
GENDER 140
ANTIDISCRIM 134
JEUN 178
SAN 415

NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
No. prev. doc.:	9829/1/23 REV 1
No. Cion doc.:	COM(2023) 608 final
Subject:	COUNCIL RECOMMENDATION on the 2023 National Reform Programme of Greece and delivering a Council opinion on the 2023 Stability Programme of Greece

Delegations will find attached the above-mentioned draft Council Recommendation, as discussed by the Council and European Council, based on the Commission Recommendation COM(2023) 608 final.

COUNCIL RECOMMENDATION

of …

on the 2023 National Reform Programme of Greece and delivering a Council opinion on the 2023 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 Article 121(2) and Article 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,

[1] OJ L 209, 2.8.1997, p. 1.
[2] OJ L 306, 23.11.2011, p. 25.

Having regard to the opinion of the Employment Committee,

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

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

(1) Regulation (EU) 2021/241 of the European Parliament and of the Council[3], which established the Recovery and Resilience Facility ('the Facility'), entered into force on 19 February 2021. The Facility provides financial support to the Member States for the implementation of reforms and investments, entailing a fiscal impulse financed by the Union. In line with the priorities of the European Semester , the Facility contributes to economic and inclusive recovery and to the implementation of sustainable and growth-enhancing reforms and investments, in particular reforms and investments to promote the green and digital transitions and to make the 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. The maximum financial contribution per Member State under the Facility was updated on 30 June 2022, in accordance with Article 11(2) of Regulation (EU) 2021/241.

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 22 November 2022, the Commission adopted the 2023 Annual Sustainable Growth Survey, marking the start of the 2023 European Semester for economic policy coordination. On 23 March 2023, the European Council endorsed the priorities of the 2023 Annual Sustainable Growth Survey, which are centred around the four dimensions of competitive sustainability. On 22 November 2022, on the basis of Regulation (EU) No 1176/2011, the Commission also adopted the 2023 Alert Mechanism Report, in which it identified Greece as one of the Member States that may be affected or may be at risk of being affected by imbalances, and for which an in-depth review would be needed. On the same date, the Commission also adopted an opinion on Greece's 2023 draft budgetary plan. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area and a proposal for the 2023 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] ('2023 Recommendation on the euro area') on 16 May 2023 and the Joint Employment Report on 13 March 2023.

(3) While the Union's economies are showing remarkable resilience, the geopolitical context continues to have a negative impact. As the Union stands firmly with Ukraine, the Union's economic and social policy agenda is focused on reducing the negative impact of energy shocks on both vulnerable households and firms in the short term, and on keeping up efforts to deliver on the green and digital transitions, support sustainable and inclusive growth, safeguard macroeconomic stability and increase resilience in the medium term. It also focuses heavily on increasing the Union's competitiveness and productivity.

---

[4] Council Recommendation of 16 May 2023 on the economic policy of the euro area (OJ C 180, 23.5.2023, p. 1).

(4) On 1 February 2023, the Commission issued a communication entitled 'A Green Deal Industrial Plan for the Net-Zero Age' ('the Green Deal Industrial Plan'). The aim of the Green Deal Industrial Plan is to boost the competitiveness of the Union's net-zero industry and support the fast transition to climate neutrality. It complements ongoing efforts under the European Green Deal and REPowerEU. It also aims to provide a more supportive environment for scaling up the Union's manufacturing capacity for the net-zero technologies and products required to meet the Union's ambitious climate targets, and to ensure access to relevant critical raw materials, including by diversifying sourcing, properly exploiting geological resources in Member States and maximising the recycling of raw materials. The Green Deal Industrial Plan is based on four pillars: a predictable and simplified regulatory environment, faster access to finance, the enhancement of skills, and open trade for resilient supply chains. On 16 March 2023, the Commission issued a further communication entitled 'Long-term competitiveness of the EU: looking beyond 2030', structured along nine mutually reinforcing drivers with the objective of working towards a growth-enhancing regulatory framework. It sets policy priorities aimed at actively ensuring structural improvements, well-focused investment and regulatory measures for the long-term competitiveness of the Union and its Member States. The recommendations below help address those priorities.

(5) In 2023, the European Semester for economic policy coordination continues to evolve in line with the implementation of the Facility. The full implementation of the recovery and resilience plans remains essential for delivering the policy priorities under the European Semester, as the plans address all or a significant subset of the relevant country-specific recommendations issued in recent years. The 2019, 2020 and 2022 country-specific recommendations remain equally relevant for the recovery and resilience plans revised, updated or amended in accordance with Articles 14, 18 and 21 of Regulation (EU) 2021/241.

(6) 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 rapidly phase out the Union's dependence on Russian fossil-fuel imports. This will contribute to energy security and the diversification of the Union's energy supply, while increasing the uptake of renewables, energy storage capacities and energy efficiency. The REPowerEU Regulation enables Member States to add a new REPowerEU chapter to their national recovery and resilience plans in order to finance key reforms and investments that will help achieve the REPowerEU objectives. Those reforms and investments will also help boost the competitiveness of the Union's net-zero industry as outlined in the Green Deal Industrial Plan and address the energy-related country-specific recommendations issued to the Member States in 2022 and, where applicable, in 2023. The REPowerEU Regulation introduces a new category of non-repayable financial support, made available to Member States in order to finance new energy-related reforms and investments under their recovery and resilience plans.

[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).

(7) On 8 March 2023, the Commission adopted a communication providing fiscal policy guidance for 2024 ('the communication of 8 March 2023'). It aims to support the preparation of Member States' stability and convergence programmes and thereby strengthen policy coordination. The Commission recalled that the general escape clause of the Stability and Growth Pact will be deactivated at the end of 2023. It called for fiscal policies in 2023–2024 that ensure medium-term debt sustainability and raise potential growth in a sustainable manner and invited Member States to set out in their 2023 stability and convergence programmes how their fiscal plans will ensure that the Treaty reference value of 3 % of gross domestic product (GDP) is adhered to and ensure a plausible and continuous debt reduction, or for debt to be kept at prudent levels, in the medium term. The Commission also invited Member States to phase out national fiscal measures introduced to protect households and firms from the energy price shock, starting with the least targeted ones. It indicated that, if support measures needed to be extended because of renewed energy price pressures, Member States should better target such measures at vulnerable households and firms. The Commission stated that the fiscal recommendations would be quantified and differentiated. Moreover, as proposed in its communication of 9 November 2022 on orientations for a reform of the EU economic governance framework, the fiscal recommendations would be formulated on the basis of net primary expenditure. It recommended that all Member States continue to protect nationally financed investment and ensure the effective use of the Facility and other Union funds, in particular in light of the green and digital transitions and resilience objectives. The Commission indicated that it will propose to the Council to open deficit-based excessive-deficit procedures in spring 2024 on the basis of the outturn data for 2023, in line with existing legal provisions.

(8) On 26 April 2023, the Commission presented legislative proposals to implement a comprehensive reform of the Union's economic governance rules. The central objective of the proposals is to strengthen public debt sustainability and promote sustainable and inclusive growth in all Member States through reforms and investments. In its proposals, the Commission aims to improve national ownership, simplify the framework and move towards a greater medium-term focus, in combination with effective and more coherent enforcement. According to the Council conclusions of 14 March 2023 on orientations for a reform of the EU economic governance framework, the objective is to conclude the legislative work in 2023.

(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[6]. 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.

[6] ST 10152/2021 INIT; ST 10152/2021 ADD 1.

(10) On 2 May 2023, Greece submitted its 2023 National Reform Programme and, on 29 April 2023, its 2023 Stability Programme, in line with Article 4(1) 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 2023 National Reform Programme also reflects Greece's biannual reporting on the progress made in achieving its recovery and resilience plan.

(11) On 24 May 2023, the Commission published the 2023 country report for Greece. It assessed Greece's progress in addressing the relevant country-specific recommendations adopted by the Council between 2019 and 2022, and took stock of Greece's implementation of the recovery and resilience plan. On the basis of that analysis, the country report identified gaps with regard to those challenges that are not addressed or only partially addressed by the recovery and resilience plan, as well as new and emerging challenges. 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 24 May 2023. The Commission concluded that Greece is experiencing excessive macroeconomic imbalances. In particular, vulnerabilities relating to high government debt and a high stock of non-performing loans in the context of high unemployment have been receding, but its external position has deteriorated. A key concern is that the current account deficit markedly widened in 2022, also due to the Union-wide sharp rise in energy prices, despite the recovery in tourism revenue. Even though it is forecast to narrow this year and next, the external deficit is set to stay well above the level that is required to ensure a lasting improvement in the net international investment position. While the government debt-to-GDP ratio remains the highest in the Union, it improved markedly in 2022, largely thanks to strong nominal GDP growth, and it is expected to recede further in 2023 and 2024. Non-performing loans recorded a sharp fall last year building on large reductions in earlier years, yet remain high relative to the Union average, and continue to weigh on banks' profitability and lending capacity, which in turn impinges on the capital deepening and on the productivity growth of the economy. The policy response has contributed to the unwinding of imbalances and the implementation of the recovery and resilience plan represents a major opportunity to tackle remaining structural weaknesses. Yet more efforts are needed, in particular to ensure that external balances are put on a firmly improving path, and that non-performing loans decline further including through increasing the effectiveness of debt enforcement and improving the secondary non-performing loans market.

(13) According to data validated by Eurostat, Greece's general government deficit decreased from 7,1 % of GDP in 2021 to 2,3 % in 2022, while general government debt fell from 194,6 % of GDP at the end of 2021 to 171,3 % at the end of 2022.

(14) The general government balance has been impacted by the fiscal policy measures taken to mitigate the economic and social impact of the increase in energy prices. In 2022, such fiscal policy expenditure-increasing measures included electricity subsidies to households and businesses and increased social benefits to vulnerable households. The cost of those measures was partly offset by new taxes on windfall profits of energy producers and suppliers, namely the price cap on electricity producers and the extraordinary levy on electricity producers for the period October 2021 to June 2022. The Commission estimates the net budgetary cost of those measures at 2,5 % of GDP in 2022. At the same time, the estimated cost of temporary emergency measures related to the COVID-19 crisis dropped to 1,5 % of GDP in 2022, from 6,5 % in 2021.

(15) On 18 June 2021, the Council recommended that in 2022 Greece[7] use the Recovery and Resilience Facility to finance additional investment in support of the recovery, while pursuing a prudent fiscal policy. Moreover, the Council recommended that Greece preserve nationally financed investment.

[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).

(16) According to the Commission estimates, the fiscal stance[8] in 2022 was supportive, at -1,0 % of GDP. As recommended by the Council, Greece continued to support the recovery with investments to be financed by the Facility. Expenditure financed by grants under the Facility and other Union funds amounted to 2,1 % of GDP in 2022 (2,6 % of GDP in 2021). The decrease in expenditures financed by grants under the Facility and other Union funds in 2022 was due to the phasing-out of the previous programming period while investment expenditure in the new programming period has not yet picked up. Nationally financed investment provided an expansionary contribution of 0,6 percentage points to the fiscal stance[9]. Greece therefore preserved 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) provided an expansionary contribution of 0,6 percentage points to the fiscal stance. That significant expansionary contribution included the additional impact of fiscal policy measures taken to mitigate the economic and social impact of the increase in energy prices (additional net budgetary cost of 2 % of GDP). Greece therefore sufficiently limited the growth in nationally financed current expenditure.

---

8 The fiscal stance is measured as the change in primary expenditure (net of discretionary revenue measures), excluding temporary emergency measures related to the COVID-19 crisis but including expenditure financed by non-repayable support (grants) from the Facility and other Union funds, relative to medium-term potential growth. For more details see Box 1 in the Fiscal Statistical Tables.

9 Other nationally financed capital expenditure provided a neutral contribution of 0,0 percentage points of GDP.

(17) The macroeconomic scenario underpinning the budgetary projections in the 2023 Stability Programme is in line with the Commission's 2023 spring forecast for 2023 and more favourable thereafter. The government projects real GDP to grow by 2,3 % in 2023 and 3 % in 2024. By comparison, the Commission's 2023 spring forecast projects a higher real GDP growth of 2,4 % in 2023 and a lower 1,9 % in 2024, mainly due to differences in the assumptions on investment activity and contributions from the external sector. The 2023 Stability Programme forecasts higher contributions from gross fixed capital formation, especially in 2024, and the Commission expects goods' imports to remain more elevated than in the authorities' projections.

(18) In its 2023 Stability Programme, the government expects that the general government deficit will decrease to 1,8 % of GDP in 2023. The decrease in 2023 mainly reflects the phasing-out of the pandemic-related fiscal measures and the reduction of the cost of the energy-related measures as well as the increasing revenues due to economic growth. According to the 2023 Stability Programme, the general government debt-to-GDP ratio is expected to decrease from 171,3 % at the end of 2022 to 162,6 % at the end of 2023. The Commission's 2023 spring forecast projects a government deficit of 1,3 % of GDP for 2023. This is lower than the deficit projected in the 2023 Stability Programme, mainly due to more favourable evolution of tax bases driven by the macroeconomic assumptions, including the composition of growth and lower expenditures of the social budget in line with the systematic underspending observed in the past years. The Commission's 2023 spring forecast projects a lower general government debt-to-GDP ratio, of 160,2 % at the end of 2023. The difference is mainly due to a higher nominal GDP growth and, to a smaller extent, a lower general government deficit forecast by the Commission.

(19) The general government balance in 2023 is expected to continue to be impacted by the fiscal measures taken to mitigate the economic and social impact of the increase in energy prices. They consist of measures extended from 2022, in particular the electricity subsidies to households and businesses. The cost of those measures continues to be partly offset by taxes on windfall profits of energy suppliers, namely the price cap on electricity producers and the solidarity contribution from refineries. Taking those revenues into account, the net budgetary cost of the support measures is projected in the Commission's 2023 spring forecast at 0,2 % of GDP in 2023[10]. Most measures in 2023 do not appear to be targeted at the most vulnerable households or firms, and do not fully preserve the price signal to reduce energy demand and increase energy efficiency. As a result, the amount of targeted support measures, to be taken into account in the assessment of compliance with the Council Recommendation of 12 July 2022[11], is estimated in the Commission's 2023 spring forecast at 0,1 % of GDP in 2023 (compared to 0,5 % of GDP in 2022). Finally, the general government balance in 2023 is expected to benefit from the phasing-out of temporary emergency measures related to the COVID-19 crisis, which have been estimated at 1,5 % of GDP.

10 The figure represents the level of annual budgetary cost of those measures, including current revenue and expenditure as well as — where relevant — capital expenditure measures.

11 Council Recommendation of 12 July 2022 on the National Reform Programme of Greece and delivering a Council opinion on the 2022 Stability Programme of Greece (OJ C 334, 1.9.2022, p. 60).

(20) In its Recommendation of 12 July 2022, the Council recommended that Greece ensure in 2023 a prudent fiscal policy, in particular by limiting the growth of nationally financed primary current expenditure below medium-term potential output growth[12], taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. At the same time, Greece should stand ready to adjust current spending to the evolving situation. Greece was also recommended to 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 Facility and other Union funds.

12 On the basis of the Commission's 2023 spring forecast, the medium-term (10-year average) potential output growth of Greece is estimated at 4,8 % in nominal terms.

(21) In 2023, the fiscal stance is projected in the Commission's 2023 spring forecast to be broadly neutral (-0,2 % of GDP), in a context of high inflation. This follows an expansionary fiscal stance in 2022 (-1,0 % of GDP). The growth in nationally financed primary current expenditure (net of discretionary revenue measures) in 2023 is projected to provide a contractionary contribution of 0,3 % of GDP to the fiscal stance. Therefore, the projected growth of nationally financed primary current expenditure is in line with the Council Recommendation of 12 July 2022. The projected contractionary contribution of nationally financed primary current expenditure is due, in substance, to the reduced costs of the (targeted and untargeted) support measures to households and firms in response to energy price hikes (by 2,3 % of GDP). The increase in social spending is the main driver of growth in nationally financed primary current expenditure (net of new revenue measures). Expenditure financed by grants under the Facility and other Union funds amounted to 2,5 % of GDP in 2023, while nationally financed investment provided a neutral contribution to the fiscal stance of 0,0 percentage points[13]. Therefore, Greece plans to finance additional investment through the Facility and other Union funds, and it is projected to preserve nationally financed investment. It plans to finance public investment for the green and digital transitions, and for energy security, such as the installation of 8 000 publicly accessible charging points for electric vehicles in key urban and suburban locations, digitalisation of public administration and improving the electricity interconnection of islands.

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

(22) According to the 2023 Stability Programme the general government deficit is expected to decline to 0,8 % of GDP in 2024. The decrease in 2024 mainly reflects the phasing-out of the remaining energy and other measures and the increase in revenues on the back of solid economic growth. According to the 2023 Stability Programme, the general government debt-to-GDP ratio is expected to decrease to 150,8 % at the end of 2024. On the basis of the policy measures known at the cut-off date of the forecast, the Commission's 2023 spring forecast projects a government deficit of 0,6 % of GDP in 2024. This is lower than the deficit projected in the 2023 Stability Programme, mainly due to the assumptions on the execution of the social budget, most notably lower spending on social benefits and on pensions. The Commission's 2023 spring forecast projects a higher general government debt-to-GDP ratio, of 154,5 % at the end of 2024.

(23) The 2023 Stability Programme envisages the phasing-out of all of the energy support measures in 2024. The Commission also assumes full phasing-out of energy support measures in 2024. This is based on the assumption of no renewed energy price increases.

(24) Regulation (EC) No 1466/97 calls for an annual improvement in the structural budget balance toward the medium-term budgetary objective, with 0,5 % of GDP as a benchmark[14]. Taking into account fiscal sustainability considerations, an improvement in the structural balance of at least 0,3 % of GDP for 2024 would be appropriate, according to the Commission. To ensure such an improvement, and in accordance with the Commission's methodology, the growth in net nationally financed primary expenditure[15] in 2024 should not exceed 2,6 %, as reflected in this Recommendation. This will also contribute to strengthening the external position. At the same time, the remaining energy support measures (currently estimated by the Commission at 0,2 % of GDP in 2023) should be phased out, if energy market developments so permit and starting with the least targeted measures, and the related savings should be used to reduce the government deficit.

(25) Assuming unchanged policies, the Commission's 2023 spring forecast projects the net nationally financed primary expenditure to grow at 0,7 % in 2024, which is below the recommended growth rate. The adjustment projected in the Commission's 2023 spring forecast is more than the savings from the full phasing-out of energy support measures.

[14] Article 5 of Council Regulation (EC) No 1466/97 also requires an adjustment of more than 0,5 % of GDP for Member States with a government debt exceeding 60 % of GDP, or with more pronounced debt sustainability risks.

[15] Net primary expenditure is defined as nationally financed expenditure net of discretionary revenues measures and excluding interest expenditure and cyclical unemployment expenditure.

(26) According to the 2023 Stability Programme, government investment is expected to increase from 4,8 % of GDP in 2023 to 5,4 % of GDP in 2024. The higher investment reflects slightly lower nationally financed investment and higher investment financed by the Union, namely through the Facility. The 2023 Stability Programme refers to reforms and investments that are expected to contribute to fiscal sustainability and sustainable and inclusive growth. Those reforms and investments include high-value-added investments and structural reforms towards the green, digital and energy transitions, which are also part of the recovery and resilience plan.

(27) The 2023 Stability Programme outlines a medium-term fiscal path until 2026. According to the 2023 Stability Programme, the general government deficit is expected to decline to 0,5 % of GDP in 2025 and to 0,1 % by 2026. Therefore, the general government deficit is planned to remain below 3 % of GDP over the Programme horizon. According to the 2023 Stability Programme, the general government debt-to-GDP ratio is expected to decrease from 150,8 % at the end of 2024 to 135,2 % by the end of 2026.

(28) Building on best practices and reforms undertaken as part of the recovery and resilience plan, modifications to 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 increase ongoing efforts to simplify the tax system.
A review of the tax system could also help enlarge the tax base as regards the self-employed and support investment. Tax compliance could be improved by extending the application of electronic payments and making increased use of the information that originates from electronic payments, considering in particular recent evidence of a growing disparity between declared low incomes and the apparently rapidly rising turnover of the self-employed. This could be done, in particular, by making better use of the information that originates from electronic payments for targeted professions. The ongoing digital transformation of the Independent Authority for Public Revenue is expected to contribute to that objective. However, it is essential that the authority's operational autonomy to manage and develop its HR and IT infrastructure be further increased given the ongoing challenges to tax systems worldwide.

(29) Greece has continued to take steps to modernise its public administration, but its overall performance remains relatively low. Following a significant adjustment after 2010, the size and cost of public administration has been broadly aligned with the Union average. Greece's wage bill remained stable in 2022 at 10,8 % of GDP, slightly above the Union average (10,2 % of GDP). Ensuring continued application of the unified wage grid, while maintaining current staffing levels through the continued application of the one-in-one-out hiring rule for permanent staff and of the ceiling for temporary staff that was introduced in 2022, will be key to safeguarding those gains. The recovery and resilience plan contains measures to improve the effectiveness of public administration, with a particular focus on improving its digital services. At the same time, attracting and maintaining high-calibre staff remains a challenge. This could be addressed in a structural manner through special/supplementary wage grids for specific functions or bodies as well as a well-defined system of allowances introduced as an integral part of the new HR management system, while safeguarding the integrity of the unified wage grid and the overall size of the wage bill.

(30) 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. The implementation of Greece's recovery and resilience plan has so far been well underway. Going forward, it will be important to maintain the implementation momentum. Greece submitted three payment requests[16] for non-repayable financial support and two payment requests for loan support, corresponding to 85 milestones and targets in the plan. To date, Greece has received an overall disbursement of EUR 7 126 million[17]. In accordance with Article 14(6) of Regulation (EU) 2021/241, on 29 March 2023, Greece expressed its intention to request EUR 5 000 million of additional loan support under the Facility. Greece has made a solid start to implementing its plan and has established a management and control system to monitor and coordinate the timely completion of the reforms and investments. Going forward, it will be important to maintain and enhance those efforts considering the significant number of reforms and investments that are planned to be implemented, in particular as the completion of a number of those reforms and investments will require timely progress with various preparatory steps, including public procurement procedures. The continued implementation of the plan depends on the administrative and implementation capacity of the assigned implementing bodies, including the regional and local administration. The swift inclusion of the new REPowerEU chapter in the recovery and resilience plan will allow additional reforms and investments to be financed in support of Greece's strategic objectives in the field of energy and the green transition. The systematic and effective involvement of local and regional authorities, 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 that plan, in order to ensure broad ownership of the overall policy agenda.

---

16 Greece submitted its third payment request for grants on 16 May 2023 and the assessment by the Commission is ongoing.

17 For grants, the disbursed amount for non-repayable financial support (excluding pre-financing) is EUR 3 436 million and the disbursed amount for loan support (excluding pre-financing) is EUR 3 690 million.

(31) The Commission approved all Greece's cohesion policy programming documents in 2022. Proceeding with the swift implementation of the cohesion policy programmes in complementarity and synergy with the recovery and resilience plan, including the REPowerEU chapter, is key to achieving the green and digital transitions, increasing economic and social resilience, and achieving balanced territorial development in Greece.

(32) Beyond the economic and social challenges addressed by the recovery and resilience plan and cohesion policy programmes, Greece faces a number of additional challenges related to healthcare and long-term care, cadastral mapping, energy policy and the green transition.

(33) Public healthcare spending is below the Union average, while the out-of-pocket payments made by patients in Greece are the second highest in the Union as a share of GDP. The healthcare system is still hospital-centric, with curative care spending focused on hospitalisation. In addition, Greece ranks first among all Member States for public spending on medicines as a share of GDP. Public expenditure on long-term and preventive care is significantly below the Union average, and there is no comprehensive national strategy for long-term care in place. To tackle this, Greece is implementing a newly adopted primary healthcare system to reduce the reliance on hospital care and increase the efficiency of access to healthcare goods and services. The full roll-out of the primary healthcare reform is hindered by the shortage of family doctors. The number of family doctors is not sufficient to cover the entire population. Sufficient coverage will be necessary for the full introduction of an effective and comprehensive gatekeeping-based system legislated to start from 1 September 2023. To this end, stronger incentives to expand the number 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.

(34) The completion of the national cadastre — a long-standing project — will further improve Greece's business climate. By the end of May 2023, 72 % of cadastral mapping had been completed, and another 25 % of property rights had been collected and are currently being processed. The processing of the collected rights is expected to be completed by the end of 2023, which would complete the cadastre by the end of the year. On the transition to the new agency 'Hellenic Cadastre', 12 cadastral offices and 49 branches have opened and are operational. The Hellenic Cadastre Agency plans to fully digitalise the services to citizens and the Facility provides support for the digitalisation of all registrations and deeds of property rights that are currently in paper form.

(35) Despite the efforts made by Greece also in the context of the energy crisis, Greece remains highly dependent on fossil fuels, with oil and gas making up 52 % and 24 % respectively of its energy mix in 2021. To accelerate decarbonisation efforts, a number of measures could be further pursued that build on 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 by establishing and completing the legal frameworks to promote the development of renewable hydrogen infrastructure and offshore wind. Further efforts are needed to speed up the development of a legislative and regulatory framework for biomethane and turn the available sustainable biomethane potential into actual production capacity to offset natural gas imports.

(36) As more renewables are integrated, further investments to expand the storage and network capacity will be essential to safeguarding the electricity grid's balance. Common remuneration schemes and the promotion of behind-the-meter systems could be important tools to promote the timely and viable expansion of storage capacity. To avoid the need for curtailment of renewables, additional electricity interconnections with neighbouring countries could be developed. On the further deployment of renewable energy sources, it will be important to fully enforce the new legal framework adopted in 2022, which simplifies and accelerates the licensing process for renewable and storage projects. In addition, promotion of self-consumption schemes, including expanding support for the installation of solar photovoltaic systems with batteries, and energy communities could help boost the social acceptability of deployment of renewables.

(37) Greece could also expand the scope and ambition of existing energy saving measures and reduce the high level of energy poverty. Greece's consumption of natural gas dropped by 22 % in the period between August 2022 and March 2023, compared to the average gas consumption over the same period in the preceding five years, above the 15 % reduction target laid down in Council Regulation (EU) 2022/1369[18]. Greece could keep pursuing efforts to temporarily reduce gas demand until 31 March 2024 pursuant to Council Regulation (EU) 2023/706[19].

(38) Introducing new financial instruments such as energy efficiency auctions could target the coverage of existing renovation support programmes towards energy-poor households more efficiently. Greece's share of smart meters is well behind the Union average (3 % compared to 54 %, 2021 figures) and could be increased as it enables consumers to actively participate in the market and support demand-side response. In addition, specific sectors like transport and water have considerable scope for energy savings as they are still heavily reliant on oil.

---

18 Council Regulation (EU) 2022/1369 of 5 August 2022 on coordinated demand-reduction measures for gas (OJ L 206, 8.8.2022, p. 1).

19 Council Regulation (EU) 2023/706 of 30 March 2023 amending Regulation (EU) 2022/1369 as regards prolonging the demand-reduction period for demand-reduction measures for gas and reinforcing the reporting and monitoring of their implementation (OJ L 93, 31.3.2023, p. 1).

(39) Labour and skills shortages in sectors and occupations key for the green transition, including manufacturing, deployment and maintenance of net-zero technologies, are creating bottlenecks in the transition to a net-zero economy. High-quality education and training systems that respond to changing labour market needs and targeted upskilling and reskilling measures are key to reducing skills shortages and promoting labour inclusion and reallocation. To unlock untapped labour supply, those measures need to be accessible, in particular for individuals and in sectors and regions most affected by the green transition. In Greece, green skills shortages are currently most evident in the construction sector, which is highly relevant for the green transition, and for specific technical occupations. Finally, there remains scope for further action to increase the employability of young people and women. Increasing the administrative capacities of public employment services while expanding the use of the individualised approach on jobseekers, has the potential to boost employment outcomes for those groups and support a smooth and fair transition.

(40) In the light of the Commission's assessment, the Council has examined the 2023 Stability Programme and its opinion[20] is reflected in recommendation (1).

[20] Under Article 5(2) of Regulation (EC) No 1466/97.

(41) 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 (i) preserve debt sustainability and refrain from broad-based support to aggregate demand in 2023, better target fiscal measures taken to mitigate the impact of high energy prices and reflect on appropriate ways to wind down support as energy price pressures diminish; (ii) sustain a high level of public investment and promote private investments to support the green and digital transitions; (iii) support wage developments that mitigate the loss in purchasing power while limiting second-round effects on inflation, further improve active labour-market policies and address skills shortages; (iv) improve the business environment and ensure that energy support to companies is cost-effective, temporary and targeted to viable firms and that it maintains incentives for the green transition; and (v) preserve macro-financial stability and monitor risks while continuing to work on completing the banking union. For Greece, recommendations (1), (2), (3) and (4) contribute to the implementation of the first, second, third, fourth and fifth recommendations set out in the 2023 Recommendation on the euro area.

(42) In the light of the Commission's in-depth review and its assessment, the Council has examined the 2023 National Reform Programme and the 2023 Stability Programme. Its recommendations under Article 6 of Regulation (EU) No 1176/2011 are reflected in recommendation (1). Policies referred to in recommendation (1) help address vulnerabilities linked to government debt, external position and non-performing loans. Recommendation (2) contributes to addressing recommendation (1). Policies referred to in recommendation (1) contribute to both addressing imbalances and implementing the recommendations set out in the 2023 Recommendation on the euro area, in line with recital 41,

HEREBY RECOMMENDS that Greece take action in 2023 and 2024 to:

1. Wind down the emergency energy support measures in force, using the related savings to reduce the government deficit, as soon as possible in 2023 and 2024. Should renewed energy price increases necessitate new or continued support measures, ensure that such support measures are targeted at protecting vulnerable households and firms, are fiscally affordable and preserve incentives for energy savings.

   Ensure prudent fiscal policy, in particular by limiting the nominal increase in nationally financed net primary expenditure in 2024 to not more than 2,6 %[21].

   Preserve nationally financed public investment and ensure the effective absorption of grants under the Facility and of other Union funds, in particular to foster the green and digital transitions.

   For the period beyond 2024, continue to pursue a medium-term fiscal strategy of gradual and sustainable consolidation, combined with investments and reforms conducive to higher sustainable growth, in order to achieve a prudent medium-term fiscal position.

   Building 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, enlarge the tax base, including by reviewing the current taxation structure for the self-employed, and strengthen tax compliance by extending the use of electronic payments. Preserve and increase the operational autonomy of the tax authority. Safeguard the efficiency of public administration while ensuring that it can attract the right skills and preserving consistency with the unified wage grid. Pursue the ongoing reduction of non-performing loans and further improve the functioning of the secondary non-performing loans market.

[21] Which is estimated to correspond to an annual improvement in the structural budget balance of at least 0,3 % of GDP for 2024, as described in recital 24.

2. Maintain the momentum in the steady implementation of its recovery and resilience plan and swiftly finalise the REPowerEU chapter with a view to rapidly starting the implementation thereof. Ensure continued sufficient administrative capacity in view of the size of the plan. Proceed with the speedy implementation of cohesion policy programmes, in close complementarity and synergy with the recovery and resilience plan.

3. To ensure adequate and equal access to healthcare, complete the roll-out of the primary healthcare framework and adopt stronger incentives for the enrolment of an adequate number of family doctors in order to achieve full population coverage and population registration. Finalise cadastral reform by completing cadastral mapping and through the establishment and operation of the Hellenic Cadastre Agency.

4. Reduce reliance on fossil fuels and further accelerate the diversification of energy supply routes. Further expand the deployment of renewable energy by completing and enforcing the new legal frameworks for the licensing process and for offshore wind farms, increasing electricity network and storage capacity, promoting the decentralised production of renewable energy and putting in place legislative frameworks for the production of renewable hydrogen and biomethane. Step up the delivery of measures that improve energy efficiency, including targeted measures for energy-poor households and the installation of smart meters, and policy efforts aimed at the provision and acquisition of skills and competences needed for the green transition. Support the decarbonisation of the transport sector, in particular by promoting electric vehicles.

Done at Brussels,

For the Council
The President