Council of the
European Union

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EMPL 450
COMPET 921
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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
No. prev. doc.:	11700/24
Subject:	COUNCIL RECOMMENDATION on economic, budgetary, employment and structural policies of Greece

Delegations will find attached the above-mentioned draft Council Recommendation, as approved by the Council and revised by legal-linguistic experts, based on the Commission Recommendation COM(2024) 608 final.

COUNCIL RECOMMENDATION

of …

on economic, budgetary, employment and structural policies of Greece

THE COUNCIL OF THE EUROPEAN UNION,

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

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

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

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

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

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

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

Whereas:

(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 for economic policy coordination, the Facility helps achieve the economic and social recovery and implement sustainable 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.

(2) Regulation (EU) 2023/435 of the European Parliament and of the Council[4] ('the REPowerEU Regulation'), which was adopted on 27 February 2023, aims to phase out the Union's dependence on Russian fossil-fuel imports. This would help achieve energy security and diversify the Union's energy supply, while increasing the uptake of renewables, energy storage capacities and energy efficiency. Greece added a new REPowerEU chapter to its national recovery and resilience plan in order to finance key reforms and investments that will help achieve the REPowerEU objectives.

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[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, ELI: http://data.europa.eu/eli/reg/2011/1176/oj).

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

(3) On 16 March 2023, the Commission issued a communication entitled ‘Long-term competitiveness of the EU: looking beyond 2030’, in order to inform policy decisions and create the framework conditions for increasing growth. The communication frames competitiveness in terms of nine mutually reinforcing drivers. Among those drivers, access to private capital, research and innovation, education and skills, and a functioning single market emerge as paramount policy priorities for reform and investment to address current productivity challenges as well as to build up the long-term competitiveness of the Union and its Member States. On 14 February 2024, the Commission issued a communication entitled ‘The 2024 Annual Single Market and Competitiveness Report’. That communication details the competitive strengths and challenges of the European Ssngle market, tracking yearly developments according to the nine competitiveness drivers identified.

(4) On 21 November 2023, the Commission adopted the 2024 Annual Sustainable Growth Survey, marking the start of the 2024 European Semester for economic policy coordination. On 22 March 2024, the European Council endorsed the priorities of the 2024 Annual Sustainable Growth Survey, which are centred around the four dimensions of competitive sustainability. On 21 November 2023, on the basis of Regulation (EU) No 1176/2011, the Commission also adopted the 2024 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 the 2024 draft budgetary plan of Greece. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area and a proposal for the 2024 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[5] (‘the 2024 Recommendation on the euro area’) on 12 April 2024 and the Joint Employment Report on 11 March 2024.

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[5] Council Recommendation of 12 April 2024 on the economic policy of the euro area (OJ C, C/2024/2807, 23.4.2024, ELI: http://data.europa.eu/eli/C/2024/2807/oj).

(5) On 30 April 2024, the Union's new economic governance framework entered into force. The framework includes the new Regulation (EU) 2024/1263 on the effective coordination of economic policies and multilateral budgetary surveillance, the amended Council Regulation (EC) No 1467/97[6] on speeding up and clarifying the implementation of the excessive deficit procedure, and the amended Council Directive 2011/85/EU[7] on requirements for the budgetary frameworks of Member States. The objectives of the new economic governance framework are to promote sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investments, and prevent excessive government deficits. The new economic governance framework also promotes national ownership and has a greater medium-term focus, combined with more effective and coherent enforcement. Each Member State has to submit to the Council and to the Commission a national medium-term fiscal-structural plan. A national medium-term fiscal-structural plan contains the fiscal, reform and investment commitments of a Member State, covering a planning horizon of 4 or 5 years, depending on the regular length of the national legislative term. The net expenditure[8] path in the national medium-term fiscal-structural plans has to comply with the requirements of Regulation (EU) 2024/1263, including the requirements to put or keep general government debt on a plausibly downward path by the end of the adjustment period, or for it to remain at prudent levels below 60 % of gross domestic product (GDP), and to bring and/or maintain the general government deficit below the 3 %-of-GDP Treaty reference value over the medium term. Where a Member State commits to a relevant set of reforms and investments in accordance with the criteria set out in Regulation (EU) 2024/1263, the adjustment period can be extended by up to 3 years. For the purpose of supporting the preparation of those national medium-term fiscal-structural plans, on 21 June 2024, the Commission published guidance on the information to be provided by Member States in their national medium-term fiscal-structural plans and in their annual progress

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6 Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 2.8.1997, p. 6, ELI: http://data.europa.eu/eli/reg/1997/1467/oj).

7 Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States (OJ L 306, 23.11.2011, p. 41, ELI: http://data.europa.eu/eli/dir/2011/85/oj).

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

reports. In accordance with Articles 5 and 36 of Regulation (EU) 2024/1263, the Commission transmitted to the Member States reference trajectories and technical information, where applicable. Member States have to submit their national medium-term fiscal-structural plans by 20 September 2024, unless the Member State and the Commission agree to extend the deadline by a reasonable period of time. In accordance with their national legal frameworks, Member States may debate their draft medium-term plans with their national parliaments, may ask the independent fiscal institutions to issue an opinion, and may conduct a consultation of social partners and other national stakeholders.

(6) In 2024, 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 help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent years. The 2019, 2020, 2022 and 2023 country-specific recommendations remain equally relevant for the recovery and resilience plans which have been revised, updated or amended in accordance with Articles 14, 18 and 21 of Regulation (EU) 2021/241.

(7) 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[9], which was amended on 8 December 2023 pursuant to Article 18(2) of Regulation (EU) 2021/241 to update the maximum financial contribution for non-repayable financial support, as well as to include the REPowerEU chapter[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.

(8) On 30 April 2024, Greece submitted its 2024 National Reform Programme and its 2024 Stability Programme, in line with Article 4(1) of Council Regulation (EC) No 1466/97[11]. In accordance with Article 27 of Regulation (EU) 2021/241, the 2024 National Reform Programme also reflects Greece's biannual reporting on the progress made in achieving its recovery and resilience plan.

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9 ST 10152/21 INIT; ST 10152/21 ADD 1.

10 Council Implementing Decision of 8 December 2023 amending the Implementing Decision of 13 July 2021 on the approval of the assessment of the recovery and resilience plan for Greece (ST 15831/23 INIT; ST 15831/23 ADD 1).

11 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 (OJ L 209, 2.8.1997, p. 1, ELI: http://data.europa.eu/eli/reg/1997/1466/oj).

(9) On 19 June 2024, the Commission published the 2024 country report for Greece. It assessed Greece's progress in addressing the relevant country-specific recommendations adopted by the Council between 2019 and 2023 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.

(10) The Commission carried out an in-depth review under Article 5 of Regulation (EU) No 1176/2011 for Greece. The main findings of the Commission staff's assessment of macroeconomic vulnerabilities for Greece for the purposes of that Regulation were published in April 2024. On 19 June 2024, the Commission concluded that Greece is experiencing macroeconomic imbalances after being identified with excessive imbalances in 2023. In particular, Greece faces vulnerabilities related to high government debt and a high stock of non-performing loans in the context of high unemployment, which remain relevant but have receded markedly and are expected to recede further. However, the external position remains weak. The government debt-to-GDP ratio has continued to decline, and while it remains high at almost 162 % in 2023, the short-term risks to debt sustainability appear low. Nominal GDP growth was a major driver of the rapidly falling debt-to-GDP ratio in recent years, and the expected further improvement in fiscal balances is set to ensure that it continues to decline. The current account deficit, which had widened markedly over the years 2020 to 2022, narrowed significantly in 2023, but remains elevated against a backdrop of buoyant domestic demand. Only marginal improvements of the current account are expected this year and next, as the robust growth in investment is forecast to keep imports elevated. The deeply negative net international investment position (NIIP)-to-GDP ratio also improved last year on the back of high nominal GDP growth, but it remains the weakest in the Union. Non-performing loans have shown a strong reduction in recent years and continued to decline in 2023, but the workout of the non-performing loans outside of the banking sector remains slow, and as a result they continue to weigh on the economy. Employment increased and unemployment declined further but is still relatively high. Years of sustained policy action and extensive structural reforms have clearly favoured a reduction of the identified vulnerabilities. Maintaining the prudent fiscal stance and continued timely implementation of the recovery and resilience plan remain crucial to improve competitiveness and ensure the rebalancing of the economy, including on the external position.

(11) According to data validated by Eurostat, Greece's general government deficit decreased from 2,5 % of GDP in 2022 to 1,6 % in 2023, while the general government debt fell from 172,7 % of GDP at the end of 2022 to 161,9 % at the end of 2023.

(12) On 12 July 2022, the Council recommended[12] that Greece take action to 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[13], 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 was recommended 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. In 2023, according to the Commission's estimates, the fiscal stance[14] was expansionary, by 0,5 % of GDP, in a context of high inflation. The growth in nationally financed primary current expenditure (net of discretionary revenue measures) in 2023 provided a contractionary contribution to the fiscal stance of 0,6 % of GDP and was in line with the Council Recommendation of 12 July 2022. The contractionary contribution of nationally financed primary current expenditure was due to the 2,7 %-of-GDP reduction in the cost of the emergency support measures (targeted and untargeted) for households and firms in response to energy price hikes). The main drivers of growth in nationally financed primary current expenditure (net of discretionary revenue measures) were social transfers, including pensions. Expenditure financed by grants under the Facility and other Union funds amounted to 2,5 % of GDP in 2023. Nationally financed investment amounted to 2,6 % of GDP in 2023, representing an increase of 0,2 percentage points as

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12 Council Recommendation of 12 July 2022 on the 2022 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).

13 On the basis of the Commission's 2024 spring forecast, the medium-term potential output growth of Greece in 2023 is estimated at 4,5 % in nominal terms, on the basis of the 10-year average real potential growth rate and the 2023 GDP deflator.

14 The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the Union budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures (and excluding temporary emergency measures related to the COVID-19 crisis) and including expenditure financed by non-repayable support (grants) under the Facility and other Union funds.

compared to 2022. Greece financed additional investment through the Facility and other Union funds. It financed public investment for the green and digital transitions and for energy security, such as supporting the deployment of new renewables to the electricity grid, which is facilitated through the upgrading of transmission infrastructure, and providing financial assistance to small and medium-sized enterprises to enable them to adopt digital solutions. That public investment is funded by the Facility and other Union funds.

(13) In the 2024 Stability Programme, the macroeconomic scenario underpinning the budgetary projections projects real GDP to grow by 2,5 % in 2024 and 2,6 % in 2025, while projecting inflation measured by the harmonised index of consumer prices (HICP) at 2,6 % in 2024 and 2,0 % in 2025. The general government deficit is expected to decrease to 1,2 % of GDP in 2024 and 0,9 % of GDP in 2025, while the general government debt-to-GDP ratio is set to decrease to 152,7 % by the end of 2024 and 146,3 % by the end of 2025. The 2024 Stability Programme does not include budgetary projections beyond 2025.

(14) The Commission's 2024 spring forecast projects real GDP to grow by 2,2 % in 2024 and 2,3 % in 2025, and inflation measured by HICP to stand at 2,8 % in 2024 and 2,1 % in 2025.

(15) The Commission's 2024 spring forecast projects a general government deficit of 1,2 % of GDP in 2024, while the general government debt-to-GDP ratio is set to decrease to 153,9 % by the end of 2024. The decrease of the deficit in 2024 mainly reflects the muted growth of social benefits compared to revenue growth. According to the Commission's estimates, the fiscal stance is projected to be expansionary by 0,3 % of GDP in 2024.

(16) Expenditure amounting to 1,5 % of GDP is expected to be financed by non-repayable support ('grants') under the Facility in 2024, compared to 1,0 % of GDP in 2023, according to the Commission's 2024 spring forecast. Expenditure financed by grants under the Facility will enable high-quality investment and productivity-enhancing reforms without a direct impact on the general government balance or debt of Greece. Expenditure amounting to less than 0,1 % of GDP is expected to be backed by loans from the Facility, in both 2023 and 2024, according to the Commission's 2024 spring forecast.

(17) On 14 July 2023, the Council recommended[15] that Greece ensure a prudent fiscal policy, in particular by limiting the nominal increase in net nationally financed primary expenditure[16] in 2024 to not more than 2,6 %. When executing their 2023 budgets and preparing their draft budgetary plans for 2024, Member States were invited to take into account that the Commission would propose to the Council the opening of the deficit-based excessive deficit procedures on the basis of the outturn data for 2023. According to the Commission's 2024 spring forecast, Greece's net nationally financed primary expenditure is projected to increase by 1,.8 % in 2024[17], which is below the recommended maximum growth rate. This is in line with what was recommended by the Council.

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15 Council Recommendation of 14 July 2023 on the 2023 National Reform Programme of Greece and delivering a Council opinion on the 2023 Stability Programme of Greece (OJ C 312, 1.9.2023, p. 67).

16 Net primary expenditure is defined as nationally financed expenditure net of (i) discretionary revenue measures, (ii) interest expenditure, (iii) cyclical unemployment expenditure, and (iv) one-offs and other temporary measures.

17 This takes into account 0,1 % of GDP one-off measures in 2024, relating to expenditures on mitigating the impact of natural disasters (as well as 0,2 % of GDP in 2023, relating also to expenditures following the natural disasters). On 14 July 2023, the Council also referred to the devastating floods that hit Italy in May 2023 and agreed that the cost of direct emergency support related to those floods would be taken into account in subsequent assessments of compliance and would, in principle, be considered as one-off and temporary measures. A similar approach has been followed with regard to the floods in Greece.

(18) Moreover, the Council recommended that Greece take action to 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. The Council further recommended that, if renewed energy price increases necessitate new or continued support measures, Greece ensure that such support measures are targeted at protecting vulnerable households and firms, are fiscally affordable, and preserve incentives for energy savings. According to the Commission's 2024 spring forecast, the net budgetary cost[18] of emergency energy support measures is estimated at 0,0 % of GDP in 2023 and projected at 0,1 % in 2024, and 0,1 % in 2025. In particular, the increased heating allowance and the return of a special levy on diesel to farmers are assumed to remain in force in 2024 and 2025, albeit with a minor impact[19]. The emergency energy support measures have been wound down in 2023 and 2024. This is in line with what was recommended by the Council.

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18 The figure represents the level of the annual budgetary cost of those measures, including revenue and expenditure and, where applicable, net of the revenue from taxes on windfall profits of energy suppliers.

19 Measures that, according to Greece, remain in place until the end of 2024 are, in principle, assumed in the Commission's 2024 spring forecast as having a budgetary impact also in 2025.

(19) In addition, the Council also recommended that Greece 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. According to the Commission's 2024 spring forecast, nationally financed public investment is projected to decrease from 2,6 % of GDP in 2023 to 2,4 % of GDP in 2024. This is due to the timing of the programming period of the Union structural funds. In particular, the Union co-financing rate of the investments under the new programme is assumed to be higher than that of the investments under the previous programming period. This leads to a decline in the co-financed national expenditure on investments. The fiscal adjustment in 2024 is not primarily due to the decrease in investments. Taking into account those additional factors, public investment in 2024 is assessed as being in line with what was recommended by the Council. In turn, public expenditure financed from revenues from Union funds, including grants under the Facility, is expected to increase from 2,5 % of GDP in 2023 to 3,4 % of GDP in 2024.

(20) On the basis of the policy measures known at the cut-off date of the forecast and on a no-policy-change assumption, the Commission's 2024 spring forecast projects a government deficit of 0,8 % of GDP in 2025. The decrease of the deficit in 2025 mainly reflects the decline of interest expenditure and muted growth of the public wage bill. The general government debt-to-GDP ratio is set to decrease to 149,3 % by the end of 2025. The decrease in the debt-to-GDP ratio in 2025 mainly reflects an increasing primary surplus and nominal GDP growth, as well as stock-flow adjustments. Prudent fiscal policy should contribute to strengthening the external position too.

(21) Building on best practices and reforms carried out as part of the recovery and resilience plan, including a new reform aiming to further strengthen Greece's efforts to combat tax evasion, there remains scope to further strengthen the tax policy framework to enable Greece to attract more investments, thereby reducing the investment gap, which remains significant. In particular, the introduction of a wider advance tax-ruling system in line with Union best practices could give taxpayers a transparent interpretation of existing tax law, thereby providing investors with greater legal certainty. Furthermore, stepping up efforts to expand the capacity of the Independent Authority for Public Revenue could help further increase tax compliance.

(22) Greece has continued to take steps to modernise its public administration, but there remains scope to further increase its efficiency. Following a significant adjustment after 2010, the size and cost of its public administration has been broadly aligned with the Union average. Greece's public sector wage bill remained stable in 2023 at 10,8 % of GDP, slightly above the Union average (10,2 % of GDP). The adjustment of allowances, including for positions of managerial responsibility, that came into effect at the start of 2024 were consistent with the unified wage grid, as they were applied across the public administration. To safeguard those gains in the future, it is key to: ensure the 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 maintain the ceiling for temporary staff that was introduced in 2022. The recovery and resilience plan contains measures to improve the effectiveness of public administration, including the establishment of a multi-level governance framework that was adopted in 2023. For the expected improvements in coordination between the central, regional and local levels to materialise, that framework, including the envisaged governance structures and information system, is expected to become fully operational during 2024.

(23) 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. Those reforms and investmentsare expected to help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations. Within this tight timeframe, proceeding swiftly with the effective implementation of the recovery and resilience plan, including the REPowerEU chapter, is essential to boost Greece's long-term competitiveness through the green and digital transitions, while ensuring social fairness. To deliver on the commitments of the recovery and resilience plan by August 2026, it is essential for Greece to continue the implementation of reforms and to accelerate investments by addressing relevant challenges while ensuring strong administrative capacity. The Greek authorities have adopted measures to improve the implementation and boost administrative capacity, while the recovery and resilience plan contains further specific measures that are expected to help achieve that objective. Specific challenges for Greece include: (i) lengthy litigation processes to address legal claims against public procurement procedures risking delays in the planned completion date of investments beyond August 2026; (ii) slow transfer of property rights; and (iii) weak coordination, particularly evident as regards investment and reforms covering policy areas stretching beyond the remit of a single ministry. The systematic involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential in order to to ensure broad ownership for the successful implementation of the recovery and resilience plan.

(24) As part of the mid-term review of the cohesion policy programmmes, in accordance with Article 18 of Regulation (EU) 2021/1060 of the European Parliament and of the Council[20], Greece is required to review each programme supported by the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the Cohesion Fund and the Just Transition Fund (JTF) by March 2025, taking into account, among other things, the challenges identified in the 2024 country-specific recommendations, as well as its national energy and climate plan. That review forms the basis for the definitive allocation of the Union funding included in each programme. Greece has made progress in implementing cohesion policy programmes and the European Pillar of Social Rights, but challenges remain. In particular, Greece continues to register slow growth in more peripheral regions and significant disparities between urban and non-urban areas. Accelerating the implementation of cohesion policy programmes coupled with the strengthening of administrative capacity at national and regional level is crucial. The priorities agreed in the programme continue to be relevant. In particular, actions improving the capacity of companies to innovate and focusing on targeted business support are both essential to boost competitiveness. As part of the green transition, investment in waste management is needed to attain recycling targets and reduce landfilling. It is essential to improve water management in a comprehensive manner, encompassing water and wastewater management, energy recovery, digitalisation, water reuse, rainwater and sustainable desalination based on renewable energy sources. The energy transition requires a greater share of renewable energy, storage solutions and increased energy efficiency, as well as addressing energy poverty. Increasing the share of clean urban transport is also key to achieving carbon neutrality. Cohesion policy programmes should continue to invest in skills, on the basis of a comprehensive strategy, to implement the Child Guarantee, to promote quality and affordable long-term care services and social housing and to enhance the labour market activation and social integration of marginalised communities, such as Roma and people with a migrant background. In the context of the mid-term review of cohesion policy programmes, the prevention of and preparedness for climate-change-related risks merit

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20 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, http://data.europa.eu/eli/reg/2021/1060/oj).

further attention. Greece could also leverage the Strategic Technologies for Europe Platform, established by Regulation (EU) 2024/795 of the European Parliament and of the Council[21], to support its industrial transformation, particularly clean energy production and storage, green shipping and biotechnology, and the development of green and digital skills.

21 Regulation (EU) 2024/795 of the European Parliament and of the Council of 29 February 2024 establishing the Strategic Technologies for Europe Platform (STEP), and amending Directive 2003/87/EC and Regulations (EU) 2021/1058, (EU) 2021/1056, (EU) 2021/1057, (EU) No 1303/2013, (EU) No 223/2014, (EU) 2021/1060, (EU) 2021/523, (EU) 2021/695, (EU) 2021/697 and (EU) 2021/241 (OJ L, 2024/795, 29.2.2024, ELI: http://data.europa.eu/eli/reg/2024/795/oj.).

(25) Beyond the economic and social challenges addressed by the recovery and resilience plan and other Union funds, Greece faces several additional challenges related to economic growth, the regulatory framework and upskilling of the workforce, which, if addressed, could boost the country's competitiveness. Albeit increasing, the employment rate is among the lowest in the Union and access to the labour market remains challenging especially for women and the youth. On education, Greece has taken steps over recent years to revise curricula, including in the context of the recovery and resilience plan, and integrate some courses on soft and digital skills into them. However, performance in basic skills remains particularly low, undermining labour market outcomes, productivity and competitiveness. This is demonstrated by the performance of 15-year-old students in mathematics, reading and science, which has been deteriorating sharply since 2012 and is amongst the lowest in the Union, according to the latest OECD Programme for International Student Assessment. The high and increasing share of underperforming students, including among those who come from more advantaged backgrounds, and the low share of top-performing students point to structural challenges regarding the quality and equity of the education system. Greece also ranks last among Member States in terms of participation in early childhood education according to 2019 Eurostat data for children aged 3 and above, and among the medium range of Member States, with a participation rate of 29,6 %, in terms of formal childcare for children under 3 years of age (based on 2023 data). This has been found to positively affect subsequent education outcomes. The challenges undermining Greece's education outcomes can be linked to: (i) the underfunding of the education system; (ii) insufficient emphasis put on competence-based teaching and learning methods with a strong focus on entrepreneurial, soft and transversal skills; (iii) low levels of school autonomy; and (iv) limited progress in systematic teacher evaluation.

(26) Improving services to the public and increasing economic, fiscal and climate sustainability remain important priorities. In this context, there is scope to further improve the management of State assets, including through modernising State-owned enterprises (SOEs) and developing public real estate. In certain SOEs, some reforms were successfully implemented, which helped increase operational flexibility and commercial autonomy, strengthen their internal management capacities and improve their procurement, remuneration and hiring policies and processes. Replicating such practices would be beneficial for other SOEs to deliver increased value for society and the economy alike. The Hellenic Corporation of Assets and Participations and its subsidiaries play a central role in managing such State assets. There are reflections on how to further improve that corporation's efficiency and effectiveness, such as by increasing its organisational and functional capacity, and by strengthening its operational autonomy and in-house investment expertise.

(27) Slow environmental licensing due to, among other things, regulatory gaps, continues to impede investment at central and regional level. Environmental licensing is an integral part of the overall licensing process for any type of investment and the process for obtaining an environmental permit is complex and lengthy. In particular, there is still no environmental classification for renewables or conditions that determine under which circumstances industrial activities with a limited environmental impact can be licensed. The criteria for cases that require a simplified permitting process due to non-substantial changes also need to be set out. The lack of regulatory acts to help solve those issues prevents legislative improvements, previously introduced to base environmental licensing on more rational and risk-based criteria, from having any impact. Adopting those pending regulatory acts could make a material impact on the time and quality of environmental assessments both for new or amended/renewed permits for the concerned investments. Furthermore, despite the completion of the regulatory framework to deploy environmental assessors from the private sector, the relevant registry remains unexploited and the system has not yet been set in operation. Completing the regulatory framework by adopting the missing secondary legislation and operationalising the system of certified private environmental assessors would help strengthen Greece's business environment, as these are expected to reduce bottlenecks in the environmental licensing process and boost investor confidence. The above-mentioned policy actions are expected to facilitate investments intended to increase productivity and widen the export base, thereby reducing import dependence, improving the growth outlook and supporting the external rebalancing as well as the unwinding of stock imbalances.

(28) Despite the efforts made, particularly through expanding the share of renewables in its overall electricity production, Greece remains highly dependent on fossil fuels, with oil and gas making up 55 % and 20 %, respectively, of its energy mix in 2022. While the REPowerEU chapter added to Greece's revised recovery and resilience plan contains several reforms and investments that are expected to accelerate Greece's decarbonisation efforts, further actions are still warranted to reduce Greece's fossil fuel dependency. Greece has one of the Union's oldest vehicle fleets and the use of renewables in transportation remains very low. As a result, Greece's transport sector remains one of the largest emitters of carbon dioxide. To accelerate the electrification of the transport sector, a more ambitious policy could set the tone. This could include expanding the categories of vehicles required under the national Climate Law to switch from combustion engines to electric motors and enforcing the withdrawal of heavily polluting vehicles.

(29) The rising frequency and severity of natural disasters affecting Greece has put a heavy strain on the civil protection system. In 2023, Greece fell victim to severe wildfires and floods, which caused human fatalities, catastrophic harm to the natural environment and extensive damage to property and infrastructure. Investments in civil protection under the recovery and resilience plan and the cohesion policy funds are expected to boost disaster response capacities. However, there is room for further strengthening prevention efforts. Reforms and investments to improve the effectiveness and efficiency of early warning, climate-proofing infrastructure and other risk prevention measures could complement preparedness measures and help reduce the damage caused by future natural disasters. Furthermore, the scope of investments could focus on actions that build up resilience by addressing prevention and preparedness as well as through using ecosystem-based approaches.

(30) In view of the close interlinkages between the economies of euro-area Member States and their collective contribution to the functioning of the economic and monetary union, in 2024 the Council recommended that euro-area Member States take action, including through their recovery and resilience plans, to implement the 2024 Recommendation on the euro area. For Greece, recommendations (1), (2) and (3) help implement the first, second, third, fourth and fifth recommendations set out in the 2024 Recommendation on the euro area.

(31) In light of the Commission's in-depth review and conclusions on the existence of imbalances, recommendations under Article 6 of Regulation (EU) No 1176/2011 are reflected in recommendations (1), (2) and (3). Policies referred to in recommendation (1) help to address vulnerabilities linked to government debt, the external position and non-performing loans. Policies referred to in recommendations (2) and (3) support potential GDP growth, and as a result also contribute to addressing recommendation (1). Recommendations (1), (2) and (3) contribute to both addressing imbalances and implementing the recommendations set out in the 2024 Recommendation on the euro area, in line with recital 30,

HEREBY RECOMMENDS that Greece take action in 2024 and 2025 to:

1. Submit the medium-term fiscal-structural plan in a timely manner. In line with the requirements of the reformed Stability and Growth Pact, limit the growth in net expenditure[22] in 2025 to a rate consistent with, inter alia, putting the general government debt on a plausibly downward trajectory over the medium term and maintaining the general government deficit below the 3 %-of-GDP Treaty reference value. Continue improving the investment friendliness of the taxation system by reinforcing its legal certainty and continue increasing the operational autonomy of the tax authority. Safeguard the efficiency of the public administration while ensuring that it can attract the right skills, preserving consistency with the unified wage grid and operationalising the multi-level governance framework. Ensure that external balances continue on a steadily improving path by promoting balanced growth and supporting productive domestic investment. Pursue the ongoing reduction of the stock of non-performing loans held by banks and credit servicers, including by further improving the e-auction processes to reduce the ratio of unsuccessful auctions.

2. Strengthen administrative capacity to manage Union funds, accelerate investments and maintain momentum in the implementation of reforms. Address relevant challenges to allow for the continued, swift and effective implementation of the recovery and resilience plan, including the REPowerEU chapter, ensuring the completion of reforms and investments by August 2026. Accelerate the implementation of cohesion policy programmes. In the context of the mid-term review of those programmes, continue focusing on the agreed priorities, taking action to better address the needs with regard to the prevention of and preparedness for climate-change-related risks, while considering the opportunities provided by the Strategic Technologies for Europe Platform initiative to improve competitiveness.

[22] According to Article 2, point (2), of Regulation (EU) 2024/1263, 'net expenditure' means government expenditure net of interest expenditure, discretionary revenue measures, expenditure on programmes of the Union fully matched by revenue from Union funds, national expenditure on co-financing of programmes funded by the Union, cyclical elements of unemployment benefit expenditure, and one-offs and other temporary measures.

3. Boost competitiveness by tackling underachievement in basic skills, reinforcing the management of State assets and completing the regulatory framework for environmental licensing.

4. Reduce reliance on fossil fuels by accelerating the decarbonisation of the transport sector. Strengthen management of natural disasters by putting in place an effective early-warning and risk-prevention system.

Done at Brussels,

For the Council

The President