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Enhanced Surveillance update - Greece, September 2020

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BACKGROUND

Economic developments and policies in Greece are monitored under the European Semester for economic policy co-ordination and under the enhanced surveillance framework according to Regulation (EU) No 472/2013 ([1]). The implementation of enhanced surveillance for Greece ([2]) acknowledges the fact that Greece needs to continue implementing measures to address the sources or potential sources of economic and financial difficulties, while implementing structural reforms to support a robust and sustainable economic growth.

Enhanced surveillance provides a comprehensive framework for monitoring economic developments and the pursuit of policies needed to ensure a sustainable economic recovery. It allows for a regular assessment of recent economic and financial developments in Greece, as well as for monitoring sovereign financing conditions and updates of the debt sustainability analysis. Enhanced surveillance also provides the framework for assessing the general commitment given by Greece to the Eurogroup of 22 June 2018, to continue and complete reforms adopted under the European Stability Mechanism programme and to ensure that the objectives of the important reforms adopted under the financial assistance programmes are safeguarded. In that context, enhanced surveillance monitors the implementation of specific commitments to complete key structural reforms started under the programme, in six key areas by agreed deadlines up to mid-2022, namely: (i) fiscal and fiscal-structural policies, (ii) social welfare, (iii) financial stability, (iv) labour and product markets, (v) Hellenic Corporation of Assets and Participations and privatisation, and (vi) the modernisation of public administration ([3]).

This is the seventh enhanced surveillance report for Greece. The report is based on the findings of a mission held remotely on 13-14 July 2020 and regular dialogue with the authorities. The mission was conducted by the European Commission in liaison with the European Central Bank ([4]); the International Monetary Fund participated in the context of its Post-Programme Monitoring framework, while the European Stability Mechanism participated in the context of its Early Warning System and in line with the Memorandum of Understanding of 27 April 2018, on working relations between the European Commission and European Stability Mechanism. The current report assesses the implementation of Greece's commitments to the Eurogroup regarding reform completion up to mid-2020. This report is not linked to a release of the next set of policy-contingent debt measures, which – in line with the agreed biannual schedule – could take place on the basis of the eighth report. The eighth report is expected to be published in November.

([1]) Regulation (EU) No 472/2013 of the European Parliament and the Council of 21 May 2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability, OJ L140, 27.5.2013, p. 1.

([2]) Commission Implementing Decision (EU) 2020/1142 of 29 July 2020 on the prolongation of enhanced surveillance for Greece, OJ L 248, 31.7.2020, pp. 20-23.

([3]) https://www.consilium.europa.eu/media/35749/z-councils-council-configurations-ecofin-eurogroup-2018-180621-specific-commitments-to-ensure-the-continuity-and-completion-of-reforms-adopted-under-the-esm-programme_2.pdf.

([4]) ECB staff participated in the review mission in accordance with the ECB's competences and thus provided expertise on financial sector policies and macro-critical issues, such as headline fiscal targets and sustainability and financing needs. The review mission was preceded by a technical mission, also held remotely, from 2 July to 10 July 2020.

OVERALL ASSESSMENT

The Greek government has to date managed to contain the spread of the coronavirus outbreak and mobilised a large amount of measures to limit its socio-economic costs, but the pandemic is still expected to take a strong toll on the economy. Following the first wave of containment measures that lasted until May, the authorities have adjusted the strictness of the measures applicable to different sectors in line with the development of the pandemic. They have mobilised a large set of support measures and reacted promptly to actual developments, through scaling up or amending the measures already in place or putting in place new support mechanisms for specific sectors, as the pandemic unfolded. Nonetheless, Greece still has the highest unemployment rate in the EU and its economy is likely to be affected more than some other Member States, in view of the large tourism sector and, more generally, the large share of services and small and medium-sized enterprises.

In spite of the adverse circumstances caused by the pandemic, Greece has made significant progress on a number of major reforms over the past few months, most notably the finalisation of the long-awaited legislative proposal to completely overhaul the insolvency legislation. The authorities have also introduced a new, broader temporary short-time work scheme, providing flexibility to companies to adjust working hours and compensation to workers for the hours not worked. The Commission, on behalf of the EU, will provide support to this and other emergency measures under the new European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) ([5]), for a total amount of €2.7 billion. All these steps are timely, as the coronavirus outbreak implies new challenges for both financial sector and the labour market, which render the role of efficient adjustment mechanisms crucial.

Furthermore, good progress has been made also in the fields of:

- Investment licencing reform, with the abolition of the obsolete nuisance classification system and the re-classification of economic activities based on environmental criteria harmonised with EU legislation, which is expected to materially ease the burden on the industrial sector;

- Energy policy, with the continued decommissioning of lignite plants and progress on the Target Model, though the go-live date was delayed; and,

- Public administration, where an important initiative to strengthen the capacity of the independent authority in charge of the selection of public officials has reached a final adoption stage, and the open appointment process for senior management in the public sector will be further extended.

The government has also made good progress on other reforms, which are not specifically related to Eurogroup commitments but are expected to have a significant impact on the business environment and investor sentiment. This includes an ambitious reform of vocational education and advances on digital governance. A new growth strategy, which should be finalised shortly, is expected to present a set of ambitious measures to support economic recovery and sustainable growth going forward. Moreover, the authorities have started to put in place the agreed measures to speed up the implementation of public investments, which will be instrumental also in supporting a quick take-up of the EU funds that will become available under the new Multiannual Financial Framework and the Next

([5]) Council Regulation (EU) 2020/672 of 19 May 2020.

Generation EU. In particular, the significant allocation of funds from the Recovery and Resilience Facility that Greece is expected to receive, highlights the importance of proceeding swiftly with key enabling reforms, including the Strategic Project Pipeline and the Project Preparation Facility, the public procurement reform and further strengthening of the anti-corruption framework.

Notwithstanding the good progress, a number of policy areas have been significantly affected by the coronavirus outbreak, adding in some cases to previous delays. The pandemic and related containment measures have led to unprecedented economic disruptions, which warranted an immediate adjustment of priorities. The coronavirus outbreak severely affected reform implementation capacity, especially in areas relying on labour-intensive processes, work of committees, and legislative or judiciary actions. As a result, progress with previously initiated reforms has temporarily stalled in a number of areas, notably in arrears clearance, public revenue administration, health care, the cadastre project and the privatisation agenda, in some of these adding to previous implementation difficulties. Despite good progress with a number of legislative initiatives, the authorities are also yet to complete some of the reforms related to the financial sector.

This report concludes that, in spite of the adverse circumstances caused by the pandemic, which have unavoidably led to delays in the implementation of several actions, Greece has progressed well with the implementation of its reform commitments. It is welcome that progress on the implementation of all commitments has restarted, although the delays due to the pandemic have inevitably led to rescheduling some of the commitments to a later point in the future. The authorities are encouraged to continue to mobilise resources with a view to taking all necessary steps to achieve its due specific comments in time for the eighth enhanced surveillance report, to be issued in November and for which a disbursement of the next set of policy-contingent debt measures is foreseen. This requires continuous engagement of the Greek authorities, in particular in the areas of arrears, health care, privatisation and the financial sector, where further actions are needed.

MACROECONOMIC DEVELOPMENTS

The coronavirus pandemic and measures to contain it are expected to take a strong toll on the Greek economy. Necessary strict containment measures imposed from the last week of March until end-May are expected to have had their strongest impact on economic activity in the second quarter of this year. Sectors strongly hit by the pandemic, such as tourism and transports represent a significant share of Greek exports and total value added. The unemployment rate increased to 17% in May, up from 15.9% in February, interrupting a downward trend in place since end-2013. Support measures have helped to keep unemployment in check so far, but signs point towards a “frozen” labour market. Lower households’ disposable income and corporate profits along with changes in consumer behaviour and the overall uncertainty are expected to weigh on domestic demand. Consumer prices are expected to decrease in 2020 and mildly increase in 2021 along with the recovery. Overall, economic activity in 2020 is expected to remain well below 2019 levels and to fully recover only in 2022, after a partial bounce-back in 2021, with GDP growth rates reaching -9% in 2020, and 6% in 2021.

Government support measures have helped protect the economy against widespread bankruptcies and job losses. The mix of government support through a lowering of the tax burden with €3.1 billion (1.9% of GDP), protection of jobs and incomes with €4.1 billion (2.4% of GDP), and easing liquidity constraints with €5.9 billion (3.5% of GDP) is a balanced approach and is expected to be instrumental in maintaining the economic fabric and thus help the economy recover.

Uncertainty regarding the development of the pandemic and thus its economic impact remain extraordinarily high. The uncertainty does not only concern the pandemic and its spread within Greece and globally, but also the future measures that might be necessary to contain the spread of the virus, and the longer lasting economic effects due to restrictions, changed consumer behaviour, possible bankruptcies and difficulties for those who have recently became unemployed to re-join the labour market. A quick uptake of the new EU support programmes, most notably the Recovery and Resilience Facility, would be key to counterbalance these effects and provide the needed support to reforms, investments and growth. The assessment is also taking place against the background of considerable geo-political tensions and growing migration flows, which add to the uncertainty.

FISCAL DEVELOPMENTS AND OUTLOOK

The fiscal outlook for 2020 has deteriorated since the last report. Taking into account the European Commission's 2020 summer interim forecast and the main measures adopted since May 2020 to mitigate the consequences of the pandemic, the primary deficit is currently expected at around 5.8% of GDP in 2020. These projections do not yet include the impact of the Council of State's pension ruling from 14 July, neither the pending ruling of the Court of Auditors, the total cost of which is currently estimated at 0.8% of GDP. A full update of the fiscal forecast will be prepared in the context of the assessment of the 2021 Draft Budgetary Plan.

The authorities have prolonged the application of some of the earlier measures for a number of additional months and adopted further temporary measures to address the coronavirus crisis. In view of the full take-up by July 2020 of the foreseen €2 billion envelope of repayable advances to companies, the government decided to extend the measure and open the platform for a third round of applications, due in September, with an expected envelope of €1 billion, and a further round may follow by the end of the year. Furthermore, tax and instalment deferrals have become eligible to be repaid in up to 24 instalments, starting from January 2021. In addition, since May 2020, the authorities adopted a new set of measures, including: (1) the right to reduce advance payments for corporate or personal income taxes in case of a given drop in turn-over for companies and self-employed (expected fiscal impact of 0.9% of GDP in 2020); (2) a short-time work scheme and other measures aimed at sustaining employment (expected fiscal cost of 0.6% of GDP in 2020); (3) measures aimed at mitigating the impact on tourism through dedicated social tourism programmes and an extended advertising campaign; (4) a temporary decrease in value-added tax rates for transportation, beverages, tourism packages and cinema tickets from 24% to 13%; and (5) the introduction of a temporary instalment subsidy scheme for mortgage, consumer and business loans secured by a primary residence for debtors with mortgages on main residences that have been financially affected by the coronavirus pandemic. Overall, the estimated fiscal cost of these additional measures is 1.8% of GDP in 2020. Additional temporary measures to support the recovery next year were announced on 12 September and will be assessed in the context of the assessment of the 2021 Draft Budgetary Plan.

The authorities have also extended the previously taken measures that provide liquidity support to households and firms. The envelope for co-financing loans to small and medium-sized enterprises by the Hellenic Development Bank has been increased by €588 million, totalling €838 million. Furthermore, the deadline for the payment of personal income tax, corporate income tax and the single property tax has been extended (with no impact on the accrual fiscal balance though).

The authorities have restarted work towards completing the nationwide reassessment of property values, which serve as base for the single property tax (ENFIA), a mid-2020 specific commitment whose finalisation has now been rescheduled to mid-2021. The inevitable delays occurred earlier in the year due to the coronavirus lockdown. The work of data collection and quality assessment, leading to the final determination of prices for existing value zones is expected to be completed by the end of the year. This year's ENFIA single property tax assessments will thus mainly be based on the previous property tax values. The further expansion of the existing value zone system across the entire country will need to be addressed in the course of next year with a rescheduled deadline of mid-2021.

The uncertainty around the fiscal forecast remains substantial. The evolution of the pandemic and related containment measures induce a substantial uncertainty around macroeconomic and, hence, fiscal developments. Apart from the coronavirus pandemic unfolding since March, Greece is also grappling with renewed migration pressures and geo-political tensions, which may give rise to additional funding needs. The worsened economic environment creates additional risks related to state guarantees. In addition, public finances continue to face risks with respect to the ongoing litigation against the Public Real Estate Company, with the question of the validity of the recent arbitral award still pending before the Athens Court of Appeal; the payment of public service obligations to the Hellenic Post, which may materialise in the near future; the pending ruling of the Court of Auditors on the retroactive compensation of public-sector pensioners as well as the Council of State ruling related to supplementary pensions and seasonal bonuses (see below). On the positive side, Greece is expected to greatly benefit from new facilities including the Recovery and Resilience Facility that aims to support investments and reforms in the EU over the next programming period, and is expected to support growth and public finances going forward.

PUBLIC REVENUE ADMINISTRATION

Staffing levels at the Independent Authority for Public Revenue continued to increase at a modest pace, although remaining well below the targets (specific commitment), whereas limited progress has been made on the overarching human resources reform. Staffing levels at the end of the second quarter stood at 11 916, compared to 12 500 set as the target by end of 2019. Moreover, the authorities have adopted legal provisions that have resulted in staff from the Independent Authority being transferred to other bodies, thus making the achievement of the set staffing targets even more difficult. The completion of the human resources reform, expected to greatly facilitate the Independent Authority's capacity to attract and maintain the high calibre staff it needs, hinges on the adoption of the wage grid legislation. The European institutions encouraged the authorities to adopt it during the next review period.

Mixed progress has been made in the areas of the Independent Authority's IT framework and its headquarters, with further key steps expected to be adopted in the coming months. A roadmap for the IT framework has been prepared and the rollout of the myDATA platform for electronic bookkeeping and other web services offered by the Independent Authority is expected to be completed by October 2020. Planning is moving ahead on the relocation of the headquarters of the Independent Authority into one single location. The tender for the construction of a new building is expected to be launched by the first quarter of 2021.

A draft law to strengthen the anti-smuggling framework, including provisions to strengthen the operational capacity of the Operational Coordination Centre has been prepared and is expected to be adopted by October 2020. The capacity of the Operational Coordination Centre, which coordinates anti-smuggling efforts, will be strengthened through the introduction of a new selection process for officials that extends the secondment period up to six years, while the structure remains firmly embedded within the Independent Authority. It will be important to swiftly adopt the primary and secondary legislation as well as ensure sufficient sourcing of the Independent Authority, in order to allow it to carry out its role efficiently.

A temporary committee for settling tax debt disputes has been established under the competence of the Ministry of Finance. According to the adopted provisions, the committee's mandate ends by July 2021. Although the settlements to be agreed are expected to alleviate the burden on the judicial system, it will be important that the mandate of the new committee is not extended, as it might risk establishing a parallel system to the Directorate for Settlement of Disputes, which is part of the Independent Authority.

The pandemic has affected public debt collection so far to a limited extent. Regarding tax debt collection, the results for the second quarter are yet to be published, but according to preliminary monthly results for the period January to May 2020, it seems that the payment culture was overall not significantly disrupted. In contrast to the previous periods, the Joint Centre for the Collection of Social Security Debt did not meet its targets, which were set prior to the coronavirus pandemic.

PUBLIC FINANCE MANAGEMENT

The coronavirus outbreak has affected the pace of clearance of arrears, adding to previous implementation difficulties. In June 2020, the stock of arrears amounted to €1.5 billion, that is to say €667 million above the targets set in the clearance plan adopted in October 2019. These developments only partially reflect disruptions in labour-intensive processes caused by the pandemic. Among the major drivers is an unexpected increase in the stock of unprocessed pension claims, which increases the amounts to be cleared by mid-2021. The authorities committed to update their plan by end-October 2020, with detailed information regarding the clearance of the additional pension backlog. Nevertheless, some crucial structural measures – including the automation of the processing and awarding of the new pensions claims as well as the digitalisation of the Single Social Security Fund (e-EFKA) – are reported to be broadly on track. In addition, the authorities are adopting and implementing a set of additional corrective measures in several subsectors to offset delays and bring the implementation of the clearance plan back on track. These efforts focus in particular on the areas of pensions, health care and extra-budgetary funds as well as on improving IT tools for monitoring. The authorities expect that the impact of these measures would be visible in August data, which will be assessed in the next enhanced surveillance report.

Structural reforms recommended by the Hellenic Court of Auditors are underway to improve the payment system, a mid-2021 specific commitment. Challenges remain regarding the digitalisation or the central procurement system of the health sector. The authorities are finalising a new law, which will cover all relevant aspects of internal control across the public administration in a single piece of legislation and is a significant step forward. In addition, the authorities are designing a new accounting IT framework with a view to improving payment processes.

The authorities have continued to take the necessary steps for the full establishment of a Treasury Single Account to enhance cash monitoring while progress on cash forecasting has suffered delays due to the coronavirus pandemic, a mid-2020 specific commitment. The Treasury Single Account system is operational and the entities that remain outside of the scheme are not significant in terms of total liquidity. The Ministry of Finance will perform an assessment of the entities' compliance with the liquidity buffer rules by end-October 2020, which would effectively complete this part of the specific commitment. The authorities are encouraged to set up dedicated tools for the close monitoring of entities deemed to be at risk. The substitution of paper orders by electronic ones has continued to progress. By contrast, progress on the currently running cash-forecasting pilot has suffered delays due to the coronavirus pandemic and will be reassessed in the next report

The Chart of Accounts reform, including mid-2021 and mid-2022 commitments, is broadly on track, but its implementation in the Public Investment Budget remains a challenge. The procurement of the new IT system supporting the Chart of Account reform is on-going and the authorities have taken further steps to support progress on this reform. Work is underway on the functional classification of the Chart of Accounts, in accordance with the performance budgeting framework. Progress is also being made in the implementation of Chart of Account classifications in the execution phase of the Public Investment Budget, whilst a less detailed classification currently remains in place for the budget preparation phase. The authorities committed to explore potential avenues for improvements with the help of technical support that will be provided by the European Commission.

The authorities are preparing a legislative amendment to address the most urgent issues in public procurement and have taken initial steps towards the adoption a new public procurement strategy for 2021-2025 that would contribute to a more sustainable and efficient use of public resources. The coronavirus greatly affected the initial timeline of the adoption of the law, which is planned to be adopted by end-October. It addresses a number of important issues in the legal framework for public procurement. Its full and timely implementation is key given that public procurement will also play an essential role in the efficient management of funds under the Recovery and Resilience Facility. To this end, the authorities are encouraged to adopt an action plan for the implementation of the new framework. A committee was created under the Hellenic Single Public Procurement Authority that is working with the support of the General Secretariat for Coordination on the new strategy. A timeline has been established for the finalisation of the strategic and action plans by February 2021.

The authorities have started implementing agreed measures to address the recurrent under-execution of the investment budget observed in past years. The characteristics and role of the Strategic Project Pipeline as well as a timetable for its implementation were agreed in July 2020. It will be set up as an independent unit coordinated by the Presidency of the Government and will deal with priority infrastructure projects worth over €10 million. The Project Preparation Facility will help the preparation and implementation of these projects. Its placement and details are currently being worked out. It will be important to ensure that its placement safeguards the rights and competencies of established independent institutions. These measures, including the steps to improve the monitoring and forecasting of the public investment budget, aim to make the best use of available resources and accelerate the drawing of EU funds and are also key to ensure an efficient take up of the Recovery and Resilience Facility. While their implementation will provide help only in the medium-term, the execution of the public investment budget in this and the coming years will also benefit from increased spending of EU funds as the current programming period is reaching maturity and the fact that some of the measures taken in response to the pandemic are funded from the public investment budget.

The 2019 action plan to enhance the monitoring and forecasting of the Public Investment Budget is being implemented as scheduled. A more frequent and enhanced exchange of data between the responsible ministries is already in place and other actions are being implemented as planned. Although the coronavirus outbreak resulted in minor delays, the authorities are planning to absorb any delay within the original timeline.

SOVEREIGN FINANCING

The Greek government bond yields and the yield spreads declined close to post-crisis lows. The yield spreads over the German Bund on the long-term bonds have declined by around 250 basis points since early May 2020 and stabilised below 1 percentage point in August for the 5-year tenure. Benefiting from the favourable financing conditions, supported by the Eurosystem's purchases of Greek government securities, the Public Debt Management Agency issued a 10-year bond in June 2020. This bond auction was successfully reopened in September 2020.

The favourable financing conditions and large cash reserves provide cushion to absorb financing risks, which remain considerable. The financing needs of the budget have increased markedly since the last report, on the back of the deteriorated macroeconomic environment, measures taken to contain the economic cost of the pandemic, as well as the payment of compensations to pensioners (see below). The cash reserves of the general government remain considerable, having stood above €31 billion at the end of June. Preserving a sufficient cash buffer, along with the development of a growth strategy, will be instrumental in supporting investor sentiment.

SOCIAL WELFARE

The authorities are making progress in completing the setup of the Single Social Security Fund (EFKA), a mid-2020 specific commitment. Among others, the digital transformation of the Fund into 'e-EFKA' is expected to be implemented by end-2020. The first stage of merging the public sector and supplementary pension functions has already been implemented and the physical move of employees, initially delayed by the pandemic, should be completed by the end of the year. Therefore, the commitment is rescheduled to end-2020. The follow-up steps, including the establishment of certain regional offices, should be completed by mid-2021. The digital processing of pension applications is currently under a pilot phase but the authorities are confident that the target of 30% digitally processed main pension applications by end-June 2020 has been met.

The recent Council of State ruling entitles those pensioners, who had filed a claim, to a compensation for the 2012 pension cuts for the period of June 2015 to May 2016. While the publication of the court decision in full detail may take a number of weeks, it has been announced that the compensation covers an 11-month period starting from the time of publication of the previous Council of State ruling in June 2015 until the implementation of the 2016 reform in May 2016. The government has decided to pre-empt possible future legal challenges and to compensate all private-sector pensioners for cuts on their main pensions, irrespective of whether they had filed a claim or not, at a cost of 0.5% of GDP. The government has also pledged to compensate public sector pensioners once a parallel case discussed in front of the Court of Auditors is completed, which would raise the total cost of the compensation to 0.8% of GDP. The need to cover also the past cuts in supplementary pensions and seasonal bonuses will be clarified once the detailed ruling of the Court is published. The compensations are one-off payments and do not affect the current functioning of the pension system or future pension expenditure. Regarding another recent ruling of the Court of Auditors granting early retirement rights to male civil servants with young children, the authorities expect that the effects of this ruling will be small.

To respond to the coronavirus outbreak in spring 2020, the authorities have substantially strengthened the health-care system to deal with the pandemic, including through a wider use of digital tools. This included increasing the availability of intensive care beds and recruiting about five thousand additional staff members, both doctors and nurses, and advances on telemedicine. Thanks to the early implementation of these measures, Greece successfully managed to contain the spread of the virus during the first wave. Greece also deployed a number of digital tools, which could be utilised after the end of the pandemic as well.

The redesign of the primary health-care system, a mid-2020 specific commitment, will take a longer time to be implemented, to reflect changes in the delivery of some of its main elements and due to inevitable delays caused by the need to manage the response to the pandemic. Legislative changes are still at a drafting stage but their adoption is expected by spring 2021. The reform, which started in 2018, aims to set up a comprehensive system of primary health care with a compulsory registration of the whole population with a family doctor, who would become the first point of contact for the patient and implement compulsory gatekeeping. Based on available information, most of the elements of the reform are planned to be redesigned, and the roll-out of the system is suspended until a new delivery model is defined. The authorities are encouraged to speed up the implementation of compulsory registration and gatekeeping, which – as agreed – should remain core elements of any new system as they are key for a successful establishment of a robust and well-functioning system of primary health care. They help ensure equal access and protect the population from supply-induced demand and its avoidable financial burden, which is a growing source of concern in the current system. The authorities plan to resume the rollout of the primary health care network no earlier than spring 2021, given the short-term need to focus the efforts on the response to the current challenge to increase the available number of family doctors contracted by Public Health Fund. The reform became all the more relevant in light of the coronavirus crisis, given the key role of the primary health care units, including the newly and swiftly deployed mobile units (KOMYs), in supporting the response to the pandemic so far.

Centralised procurement, a mid-2020 specific commitment, is already being partly implemented and the overall set up of the National Health Authority for Health Procurements is progressing, but yet to be completed also due to delays caused by the pandemic. Centralised tenders are currently mostly implemented at regional level; some are being finalised also at central level, though, for a large part, this concerns those that were launched under the previous system. Draft legislation to define the new legal framework for the Authority was finalised and is planned for adoption by the end of the year. The authorities also shared an operational plan for procurements to be launched in 2020, according to which the target of 40% of centrally procured total hospital expenditure, a mid-2022 specific commitment, remains achievable and the authorities' aim is to reach 30% by the first quarter of 2021. The European institutions encouraged the authorities to further support the reform by the reactivation, as from January 2021, of the Price Observatory, a monitoring tool intended to increase transparency and efficiency. At present, recruiting the necessary skills for the

Authority is still challenging, but this may be facilitated by the new legal framework that is going to be legislated in the coming months.

Regarding healthcare spending, the rising clawback amounts and delays in its collection are a cause of concern. Strengthening and consistent implementation of the previously adopted structural measures would support efficiency and access to quality health care. To illustrate, the 2019 clawback for pharmaceuticals is 36% higher than in 2018 and almost 65% higher than in 2017. Collection of clawback for private health-care providers for 2018 and 2019 is expected to start by November 2020. The European institutions encourage the authorities to adopt the necessary legislation to finalise the legislative and administrative procedures necessary for the start of the collection by October 2020 – in order to preserve the fiscal credibility of the clawback – and to review the current definition of the clawback with a view to introducing a risk-sharing component and enhancing the incentives to avoid the creation of new clawbacks and curb supply-induced demand, thus reducing high out-of-pocket payments.

The design of the 'labour market reintegration' pillar of the Social Solidarity Income (third pillar) is being adapted in view of the coronavirus crisis, and the nationwide implementation of the new framework, an end-2019 specific commitment, is scheduled for autumn 2020, contingent on health-related developments. During 2019, a pilot project to ensure the provision of social support and labour market activation services was implemented in 32 municipalities across the country. The findings of the pilot project have been evaluated in view of its national implementation in 2020. However, due to the coronavirus outbreak, there was a need to adapt the business processes of the public employment service (OAED) to the new situation and, in turn, to adjust the terms of the national rollout of the new framework. The rollout should be launched in autumn 2020.

Regarding the review of the system of subsidies for local public transport, a mid-2020 specific commitment, the revised primary legislation for the new system was adopted in July 2020. Secondary legislation, to be adopted in September 2020, is under preparation to allow a regular and objectively-based reimbursement of subsidised public transport tickets to operators in Athens and Thessaloniki.

The reform of the disabilities benefit framework is progressing according to its previously agreed redesign, a mid-2019 specific commitment that will take longer to be completed. An agreed policy paper is expected in September 2020 and a pilot project should be launched in early 2021. The electronic system for processing the applications is now available in three regions, but the operation of the disability assessment centres has been affected by the pandemic.

FINANCIAL SECTOR DEVELOPMENTS

The financial sector has weathered the first impacts of the coronavirus pandemic relatively well, on the back of the authorities' and EU-wide efforts to sustain access to finance for affected businesses. Liquidity on financial markets as well as provision of funding to the economy has been maintained and banks were able to keep the cost of funding manageable despite the increase in the cost of long-term unsecured funding. This has been facilitated by the easing of conditions for Eurosystem targeted longer-term refinancing operations and a temporary easing of collateral requirements for Eurosystem credit operations, in particular the waiver to accept Greek sovereign debt instruments as collateral. Data as of July 2020 show that the recovery in bank credit to non-financial corporations has even gained pace, while that to small, non-incorporated firms has also started to turn rapidly positive, moderating the continued contraction of bank credit to households. This reflects both the efforts by the companies to build up liquidity buffers and the start of disbursements of emergency support measures. Greek companies benefited from two schemes implemented by the Hellenic Development Bank, i.e. a guarantee scheme and an interest subsidy scheme for new corporate loans, which attracted strong demand. Moreover, viable companies, mostly small and medium-sized enterprises, have benefitted from direct interest subsidies to existing performing loans. These schemes are expected to provide support to lending growth to businesses over the coming months.

The loan moratorium measures put in place, coupled with the flexibility announced by the supervisory authority, imply that the impact of the pandemic on the quality of the banks' loan books will be limited this year. More than 10% of the banks' total loan portfolio has benefitted from the moratoria, which are currently in place until the 31 December. The four systemic banks have significantly increased the impairments booked in their first quarter results of 2020, but the full extent of the provisioning needs will only become evident after the moratoria expire, which may imply downside risks for 2021. Increased provisioning may put under pressure the already weak profitability outlook for Greek banks.

Low profitability coupled with the cost of upcoming securitisations may pose challenges for the banks' capital position in the near future. Banks' average common equity tier 1 ratio fell from 15.9% at the end of 2019 to 14.6% in the first quarter of 2020, but remained in line with capital requirements. The decrease was mainly due to the implementation of prudential transitional rules applied in the first quarter of each year. Going forward, the banks' capital position will need to accommodate further planned regulatory changes and the upcoming securitisations of non-performing loans in the medium-term. The quality of banks' capital remains low, due to the high amount of deferred tax credits, while the sovereign-bank nexus may continue to increase over the coming months.

Although the stock of non-performing loans continued to decline in the beginning of 2020, the potential negative impact of the coronavirus crisis on asset quality will only start becoming evident after the expiry of the moratoria. The stock of non-performing loans of Greek banks has continued its downward path in the first quarter of 2020, with their ratio dropping to 39.6% in March 2020 and expected to drop even further in the second quarter, once the positive impact of the first securitisation under the Hercules scheme ([6]) formally takes effect. Nonetheless, the banks' non-performing loans reduction strategies are affected by the pandemic and the banks' internal capacity for viably restructuring loans remains low.

The actions outlined below are monitored and assessed as part of the continuous commitment in the area of financial policy:

- **The authorities intend to shortly submit a bill to Parliament that will lead to a major overhaul of the insolvency framework.** The new insolvency code integrates the corporate and personal insolvency regimes and transposes EU legislation on preventive restructuring

([6]) The transaction involved the securitization of a €7.5 billion portfolio consisting mainly of non-performing exposures. It made use of €2.4 billion of state guarantees out of the total €12 billion envelope available under the Hercules scheme. The scheme, which is open and voluntary for all banks, runs over an 18-month period from October 2019. Two other systemic banks are moving on with preparations to facilitate their planned securitizations under the scheme, with an aim to conclude them by the first quarter of 2021.

frameworks. Its overall aim is to accelerate debt discharge, allow for a faster reimbursement of creditors, as well as preserve viable businesses by means of preventive restructuring frameworks. Inspired by international best practices, it is expected to increase the effectiveness of restructuring through the simplification of procedural requirements and the use of an electronic platform. The code will enter into force on 1 January 2021 and will require the adoption of a significant amount of secondary legislation, which will determine some aspects of this reform, and the completion of the IT platform, both of which are underway.

- **At the same time, the authorities allowed the expiry of the Primary Residence Protection scheme and the Out of Court Workout scheme, while setting up alternative social protection schemes for vulnerable debtors.** The regimes in question duly expired on 31 July 2020 and 30 April 2020 respectively. In parallel with the overhaul of the insolvency framework, the government also introduces new social policy tools to support vulnerable debtors. In the context of the pre-bankruptcy proceedings, vulnerable debtors, who have a loan linked to their primary residence and have suffered a sudden loss of income will be eligible for a temporary subsidy, which should further support the reduction of non-performing loans and avoid the accumulation of new ones. To address moral hazard concerns, the subsidy will be available to both performing and non-performing vulnerable debtors under the conditions set in the law, with the exception of those non-performing debtors with loans which have been denounced for more than one year. Moreover, the code introduces a special sale-and-leaseback regime allowing eligible distressed debtors to remain in their primary residence as tenants, who may further benefit from a subsidy to facilitate the payment of the rent. This arrangement extends the existing rental subsidy and will be implemented through a private-sector entity. The private sector agency may benefit from a state guarantee to support its access to funding, if deemed necessary.

- **The authorities will also submit shortly to Parliament measures that are aimed at accelerating the clearance of the household insolvency backlog, which has increased further as a result of the suspension of court proceedings during the pandemic.** Most notably, they intend to introduce an automatic rescheduling of distant hearings through an electronic platform as well as procedural simplifications; moreover, an electronic platform for eligibility control and filtering out strategic defaulters is available to institutional creditors but the results in reducing the backlog have so far been limited. In the meantime, the backlog of cases has further increased due to the suspension of court proceedings following the coronavirus outbreak. Although the pandemic has negatively affected the provision of data on the evolution of the backlog in the second quarter of 2020, the recent creation of a Justice Statistics Unit in the Ministry of Justice could facilitate the aggregation, processing and uniform presentation of reliable data through the use of IT.

- **The authorities intend to adopt a number of measures aiming at enhancing the functionality and user-friendliness of the e-auctions platform and facilitating the relevant processes.** The measures are expected to be adopted in October 2020 and include the obligation for auction officials to upload a copy of the valuation report and photographs of the property on the e-auctions website. Other measures will be introduced as part of the revision of the Code of Civil Procedure (see below). The conduct of e-auctions, which had been halted as a result of the closure of courts and notarial offices due to the coronavirus pandemic resumed on 1 September but the intention is to suspend them for vulnerable debtors until the end of December 2020 in view of the entry into force of the insolvency legislation and the associated social policy measures in January 2021.

- **Regarding the clearance of the backlog of called state guarantees, the authorities are taking actions towards fully offsetting any pandemic-related delays, while committing to further frontload the overall processing and payment schedule.** The authorities have upgraded the clearance targets for the second half of 2020, more than fully counteracting the delay encountered in the first half of the year, while at the same time increasing the overall 2020 target by 33%. The authorities are also proceeding as planned with all the necessary structural improvements, including a revised ministerial decision on the electronic file repository, interoperability with local tax offices, and the relocation of staff.

- **Work on the adoption of targeted amendments to the Code of Civil Procedure is ongoing.** The law-drafting committee is expected to submit a draft of the legislation by end-January 2021, in view of the adoption of the revised code by end-February 2021, with a projected entry into force in September 2021. The amendments will inter alia address the issues related to price adjustment requests for e-auctions.

- **A targeted adjustment of the primary legislation on deferred tax credits to ensure operational effectiveness has been submitted to Parliament and is expected to be adopted shortly.** The aim is to safeguard the loss-absorbing capacity of the banks' capital in all cases. Further technical and procedural aspects related to the process of deferred tax credits' use, particularly in resolution, will be clarified via secondary legislation when appropriate.

The Hellenic Financial Stability Fund intensified its efforts to support the systemic banks in meeting their non-performing-loan reduction and business enhancement goals in the current, pandemic-stricken environment. On the basis of the Fund's proposal, the authorities amended its governing law in order to protect the ownership rights of the Fund in case of corporate transformations of the systemic banks (7) related to the ongoing securitisations transactions.

LABOUR MARKET

The authorities introduced in June 2020 a new, broader temporary short-time work scheme (SYNERGASIA), providing flexibility to companies to adjust working hours and compensation to workers for the hours not worked. This scheme is expected to play an important role in allowing the labour market to adjust to the shock caused by coronavirus outbreak. The scheme, estimated to cost €440 million, is eligible for financing under the new European instrument for temporary support to mitigate unemployment risks in an emergency (SURE), under which the Commission has proposed to allocate to Greece a total of €2.7 billion of financial assistance.

In the context of the process of labour law codification, some aspects of the existing labour legislation are being reviewed and modernised. These include the establishment of a new framework regulating new forms of work (such as platform work, sharing economy), and changes disentangling the inspection and conciliation tasks in line with the

(7) This legal amendment became necessary in order to eliminate any legal uncertainty whether the Fund can fully make use of its statutory rights in entities created following a corporate transformation of banks, which was necessary to facilitate certain large-scale securitizations of non-performing loans.

recommendations of the International Labour Office. Labour legislation is expected to be submitted to Parliament in October 2020 and its codification to follow in November 2020.

The authorities continue to pursue their comprehensive education policy plans with a public school reform adopted in June 2020 and substantial progress made on vocational education and training. The Upgrading Public Schools bill aims, among others, at promoting soft skills, digital literacy, foreign language learning and the evaluation of school units. At the same time, the comprehensive vocational education and training reform, which is currently being developed, aims at enhancing the quality of education offered, increasing the percentage of students choosing this path and better linking vocational education and lifelong learning with labour market needs. The reform, prepared in consultation with social partners, envisages the creation of professional lyceums, new curricula, and better labour market diagnostics. An important element of the reform is also the accreditation and quality control of the institutes that provide continuous education. The authorities are also improving the framework for apprenticeships as part of the reform.

PRODUCT MARKETS AND COMPETITIVENESS

The authorities continue working on major initiatives improving economic framework conditions, with a view to enhancing competitiveness and underpinning economic recovery following the coronavirus outbreak. To this end, they aim to finalise the new growth strategy shortly, introducing reform measures in key policy areas to boost private sector productivity and achieve sustainable growth.

The investment licensing reform is progressing well, despite some delays. The authorities successfully completed the commitment to revise/abolish the nuisance classification, well ahead of the **mid-2021 specific commitment** deadline. Furthermore:

- The implementation of the inspections framework law, **a mid-2020 specific commitment**, steadily progresses with respect to the agreed priority areas, even though some work remains to be completed. The European institutions encouraged the authorities to develop a timeline for completing this work, including the adoption of all necessary enabling legislation, by the time of the next report. The authorities committed to extend the framework to four remaining domains by end-2021. Its full deployment would be a major step, as it would reduce the necessity for ex-ante controls without compromising health and safety standards.

- The simplification of the investment licencing procedures, **a mid-2020 specific commitment**, is progressing, albeit with some delays. The authorities adopted primary legislation for the simplification of the primary production sector and secondary legislation is expected shortly. Proposals for simplification of most remaining sectors have been delivered, and primary legislation is expected to be adopted shortly. The authorities are encouraged by the time of the next report to develop a timeline for the adoption of all necessary secondary legislation on all sectors, as well as for the simplification of the few remaining activities.

- Finally, the deployment of the IT system to support the investment licensing framework, **an end-2019 specific commitment**, is delayed due to complications in the tendering process. Nonetheless, in absence of further appeals at courts, the authorities expect to sign the contract shortly.

The implementation of key business environment reforms initiated under the financial assistance programmes continues, albeit with some delays in certain areas due to the coronavirus outbreak. Work progresses on setting up the framework for the certification of external environmental assessors, which has been pending since the European Stability Mechanism programme, and for the certification of external inspectors, even though the necessary secondary legislation has not been adopted yet. The authorities are also reviewing licensing provisions on thematic tourism and the milk market, which is highly welcome. Enhanced coordination and monitoring, in addition to actions promoting greater visibility of the investment licencing reform, would support ongoing implementation.

A new strategy for promoting Greece's export potential and inward foreign direct investment is about to be published. The strategy aims at identifying key sectors and export markets, effectively coordinating relevant institutions, and ensuring outreach to stakeholders. Further progress hinges on the adoption of legislation clarifying the role of the Ministry of Foreign Affairs, and on the setting up of necessary operational structures in specific areas. The launch of the tender for an integrated Single Window system for imports and exports has been postponed to end-September due to the pandemic.

The authorities are gradually progressing with additional measures to further ease doing business. Registration through the electronic one-stop shop has been made mandatory for private companies, whilst the framework for the protection of minority investors was strengthened through a number of safeguards concerning the selection, appointment and evaluation of board members, and increased disclosure requirements.

Implementation of the recently updated roadmap towards completion of the cadastre project has restarted, following delays due to the coronavirus outbreak. Appointments of senior managers are expected to be completed shortly, the preparation of the Corporate Strategy is progressing and the tender for the digitisation of cadastre archives is expected to be launched by the end of the year. The collection of land rights has been completed for 82% of the country and the cadastral mapping has been completed for the 33% of the rights, below **the mid-2020 specific commitment** to complete 45% of rights. By October 2020, the cadastral mapping completion is expected to reach 35%. The authorities are preparing legislation to impose penalties to citizens who fail to declare their properties within the applicable timeframe, and the award of the final five cadastral mapping contracts delayed due to judicial proceedings is progressing. While staffing of the Hellenic Cadastre is now adequate, more time will be needed to establish cadastral offices and branches following the pandemic. By end October 2020, six additional mortgage offices are expected to be abolished and one cadastral office (for Thrace) will open.

The public presentation of all remaining forest maps, scheduled to be completed by mid-2020, has been delayed due to adoption of legislation addressing land use issues arising from Court of State's decisions. This may delay the completion of the cadastral mapping as a whole, now due by May 2022, for a number of months. The European institutions encouraged the authorities to proceed with the uploading and ratification of the remaining forest maps (53% of the country has already ratified maps), while in parallel addressing problematic areas. The authorities confirmed that for the completed areas that will not be the subject of changes, the ratification of the forest maps would not be reversed. All remaining maps will be uploaded by December 2020.

The Greek government has continued to engage constructively on a set of proposals to remedy the anti-trust case and deliver on an end-2020 specific commitment. The proposals should eventually be submitted for a market test by the European Commission, a step in view of implementing the remedy and closing the case. Improvements are still being discussed to the proposal to grant the Public Power Corporation's competitors access to a certain share of its baseload generation, including in terms of ensuring a transparent selection process, access to the mechanism by smaller players and a detailed implementation mechanism.

The final date for the go-live of the Target Model for electricity, a mid-2020 specific commitment, was announced by the energy regulator as 1 November. This followed an assessment of the dry-run period to test the market, which concluded a small delay from the originally planned date of 17 September would be necessary. The European Institutions will report on the long-awaited go-live of the Target Model in the next report. The launch of the Target Model's three related markets (day-ahead, intra-day, and balancing), and their interplay with the already-running forward market, is a huge step in setting up a modern energy market and will pave the way for Greece to couple with neighbouring electricity markets in the near future.

Progress continued also on other areas of Greece's energy policy. Importantly, Greece has adopted an ambitious bill to promote electro-mobility, which will help meet the goals laid out in Greece's National Energy and Climate Plan. A draft of the Master Plan to implement the transition away from lignite-based generation is ready for public consultation. The deficit in the Renewable Energy Source's Special Account, worsened as a result of the coronavirus outbreak, remains a concern for the future. Work began on the Crete-Greece interconnector, which will be a major part of the country's longstanding goal of connecting islands to the mainland.

Regarding the transport sector, the authorities have prepared a pipeline of railway projects in order to remedy the delays encountered on the implementation of the 2014-20 transport and environment operational programme. The responsible European authorities will review the pipeline. Modernisation of Greece's public railway companies would support further EU investment in the sector. The National Transport Master Plan has been completed and approved by the Ministry of Infrastructure and Transport.

HELLENIC CORPORATION OF ASSETS AND PARTICIPATIONS AND PRIVATISATION

The pandemic has brought new challenges for the Corporation but its work in key areas covered by the Eurogroup commitments has continued. Despite the difficulties caused by the pandemic, the implementation of the strategic plan**, a continuous commitment,** is ongoing and a draft business plan for 2020-2022 was prepared in August and approved by the Board of the Corporation. Key performance indicators, which monitor the implementation of the strategic plan, have recently been adjusted to take into account the impact of the pandemic, along with setting their values for 2021 and 2022. A review of boards of state-owned enterprises, **a mid-2019 specific commitment**, is ongoing and close to being completed. The Corporation's real estate portfolio, held by the Public Real Estate Company, has made incremental progress but remains behind expectations, while the Real Estate Company faces significant legal challenges. The transfer of the Olympic Athletic Centre, which was **a specific end-2018 commitment**, proves to be very complex but continues with a series of administrative and procurement steps.

The authorities have continued their support for the Corporation. This included support for key state-owned enterprises where the negative repercussions of the pandemic have been most severe (in particular the Athens Urban Transport Organisation and the Hellenic Post), as well as support for the corporate turnaround plan of the Hellenic Post. The authorities have engaged with the European institutions as part of drafting the updated Ministerial Guidance, now expected in the third quarter of 2020, where the authorities intend to clarify their expectations for the financial performance of the Corporation's portfolio of assets. The authorities have chosen the Corporation as the home for a new 5G-focused venture capital fund and engaged thoroughly with the European institutions on its structure, which provides for completely independent management in line with the Corporation's governance principles. It will be important to ensure that the Corporation's rights and competencies are safeguarded with respect to placing further new structures or entities under its supervision. Moreover, in the context of the Coordination Mechanism, the authorities stated their intention to proceed with the preparation of performance contracts setting out public service obligations for a limited set of state-owned enterprises.

Progress with the transactions included in the Asset Development Plan of the Hellenic Republic Asset Development Fund (TAIPED) has been affected by the coronavirus outbreak but has resumed for most of them as from June. Delays in the envisaged timeline of the ongoing transactions, while material, have been limited also thanks to the fact that the Fund was proceeding with the maturing of the transactions during the pandemic. A regular update of the Asset Development Plan was approved by the Government on 10 September. Progress with due specific commitments for transactions is as follows:

- **Hellinikon:** The authorities remain strongly engaged and undertake necessary efforts to complete the prerequisites for the financial closing of the transaction, having launched the demolition of current buildings on the site, on the 3rd of July. The relocation of the public users is almost completed with only a few arrangements to be made for users staying on site and the partition of the Hellinikon site agreed in February 2020 is currently being enshrined in a binding document. The financial closing of the transaction is still pending the resolution of legal cases against the casino licence tender process and other judicial cases, concerning administrative acts, set for discussion in September and October 2020. Part of the casino case has already been settled in favour of the state but another case is still ongoing; the authorities expect a final decision soon.

- **Marina of Alimos concession:** Following the signing of the concession agreement in May, the financial closing of the transaction should have taken place within 120 days. The Board of the Fund extended on 3 September the 120 days for another 50 days (until 30 October 2020) to allow adequate time for the completion of the transaction.

- **Hellenic Petroleum:** Following the failure of the first tender in mid-2019 and considering the significant fall in the capitalisation value of the company, the Fund considered appropriate to delay further the launching of the transaction to a later point in time.

- **Sale of 30% of Athens International Airport:** The tendering process was proceeding well prior to the coronavirus outbreak, with nine investment parties qualified to proceed to the Binding Offers Phase. However, the deadline for the submission of binding offers was delayed due to the impact of the pandemic on the air transport sector. The Fund will determine next steps once the situation improves, likely not before 2021.

- **Public Gas Corporation (DEPA):** The tenders for DEPA Infrastructure and DEPA Commercial, launched in December 2019 and January 2020 respectively, attracted strong investment interest. In June 2020, the Board of the Fund decided to proceed to the binding offers phase for both transactions.

- **Egnatia:** The privatisation process continued, although with mixed progress. Some of the open issues have been resolved, such as the uncertainty on the construction of the motorist service stations and the rehabilitation cost of bridges classified as unsafe. However, very limited progress has been made over the last three months on the completion of the construction of the remaining toll stations and the required works so that the remaining 14 tunnels can be licensed. The European institutions encourage the authorities to significantly advance on these areas by the time of the next report.

- **Regional Ports:** Following a delay due to the pandemic, the Fund decided in June to proceed with the launching of the tender process for the sale of shares for the ports of Alexandroupolis and Igoumenitsa and the sub-concession of a multi-purpose terminal for the port of Kavala.

PUBLIC ADMINISTRATION AND DIGITAL GOVERNANCE

The appointment of senior management positions in the public sector continues and the delegation of competencies from the political to non-political level is being applied efficiently. Following the appointments of 13 Permanent Secretaries posts, the selection process to appoint the last post at the Ministry of Migration and Asylum is expected to be completed shortly. The selection process for director posts at ministries are expected to be resumed shortly with the selection boards now including the recently appointed Permanent Secretary. Draft provisions to set up a uniform selection process for senior management posts at public sector entities, have been prepared and are expected to be adopted in September and come into effect in October 2020. Clarity about the selection process for managers involved in the management of the EU structural funds, which has encountered severe delays, is expected to be established ahead of the new programming period for EU funds (2021-2027). The delegation of competencies from the political to non-political level, a major novelty brought about the 2019 Executive State Law, is being applied efficiently since its entry into force in February 2020 and the authorities are considering delegating additional competencies.

Good progress has been made during this review period in developing the Human Resources Management System, which is an end-2019 specific commitment that is expected to be completed by end-2020. This exercise includes the development of digital organigrams and job descriptions across the general government. The process has been affected by the confinement measures due to the pandemic but overall good progress has been made. Until August 2020, over 1 500 general government entities had completed their digital organigram, representing around 80% of all entities and 85% of personnel, including most of the large entities. A majority of the remaining larger entities are set to be completed by end-October 2020. The link between a job description and a jobholder has been established for around 75% of posts and the authorities plan to establish this link for all posts for general government entities by the end of 2020.

A capacity-enhancing reform of the Supreme Council for Civil Personnel Selection is set to be adopted in November. The reform puts in place a coherent and uniform procedure for recruitment. The authorities are also carrying out a comprehensive review of the mobility scheme. In this regard, a recent provision ([8]), which allowed for up to 80 public officials to be

([8]) OJ A 148/31.07.2020, Article 86.

seconded outside the mobility scheme, raises concerns as it risks setting a precedent for creating *ad hoc* hiring procedures.

The coronavirus pandemic has slightly delayed the adoption of the re-codified Labour Law Code and Code of Labour Regulatory Provisions, a mid-2020 specific commitment. The authorities plan to adopt the laws by November 2020. The codification process is used as an opportunity to review and modernise some areas of the labour legislation, including new forms of work and the role of the labour inspectorate, which is most welcome (see above).

Regarding legal codification, the Central Codification Committee, following its re-establishment in May 2020, is making progress on a number of fronts. It finalised and published the manual for legal codification in July and prepared a draft annual codification plan for 2021. The plan is expected to be approved in September. The European institutions encouraged the authorities to include in the plan the legislative framework of party financing. The tender for the national gateway for legal codification, a mid-2022 specific commitment, was launched in June 2020 and contract signature is expected by the end of the year.

Hiring of permanent personnel has been delayed due to the pandemic, while the envisaged reduction of temporary posts following their conversion to permanent positions is yet to materialise. Most of the new hirings of permanent staff aim at strengthening the public health system, military schools and the Independent Authority for Public Revenue. Hirings of permanent staff in 2020 will nevertheless be approximately 40% below plan, while the number of temporary staff remained stable in the first half of 2020 compared with a year ago. The envisaged reduction of temporary positions, following their conversion to permanent staff, is expected to take place by end-September 2020, at least for the education personnel hired on permanent contracts. The European institutions encourage the authorities to implement the expected reduction of the remaining temporary posts during the next review period. In parallel, the authorities are carrying out a comprehensive analysis of temporary staff, which is expected to be completed by October 2020, with a view to removing posts of a permanent nature and plan to set an annual ceiling on temporary staff by end of the year.

The inter-ministerial committee mandated to strengthen central control over the wage grid and hiring procedures has set up three working groups. They are expected to focus on establishing an accurate overview of all salary and hiring provisions, in order for the inter-ministerial committee to present proposals on how to reduce deviations from the unified wage grid and hiring procedures.

The ambitious digital transformation of the public administration and the economy as a whole remains a key priority for the authorities. To underpin these efforts, they aim to publish the new comprehensive national digital strategy (‘Digital Bible’) for public consultation shortly. The strategy is expected to lay down a pipeline of some 300 projects and set out a portfolio management system to monitor their implementation. The focus is on digital upskilling, digitalising transactions, enhancing the interoperability and robustness of public IT systems, and addressing connectivity gaps. The authorities also delivered an innovative proposal for developing the ecosystem for the industrial application of 5G technologies (see above).

A number of projects is already underway. The authorities have completed the set up for the National Programme for Process Simplification, which aims to ease the administrative burden for citizens and businesses. The public portal gov.gr offers by now some 610 services, more than 110 more since the last review, and some 40 new services are in the pipeline. A new Code of Digital Governance to create a comprehensive legal framework on digital policy is expected to be adopted shortly. Digital infrastructure and connectivity issues are also being addressed. Last but not least, the authorities have completed the first steps for the digitisation of geospatial data.

JUSTICE AND ANTICORRUPTION

Work on the transition to mandatory electronic filing and processing of documents is ongoing. The authorities drafted a list of digitalisation initiatives. The tasks due for completion by the end of September 2020 include the consolidation of a number of insolvency-related certificates and the issuance of electronic criminal record and divorce certificates. In parallel, efforts are underway to implement a mechanism for the distribution of digital signatures, which will significantly enhance the efficient and speedy conduct of notifications and increase legal certainty.

The tender procedure for the second phase of the Integrated Judicial Case Management System, a mid-2020 specific commitment, is now scheduled to be completed by December 2020. The procedure was extended due to disruptions caused by the coronavirus pandemic. Following the submission of bids, the authorities are in the process of evaluating the offers. Completion of the project is foreseen within 36 months from the signature of the contract.

The authorities adopted legislation for the creation of specialised chambers in civil and administrative courts and are proceeding with a number of other important initiatives, with a view to increasing the effectiveness and efficiency of justice. The creation of special chambers in civil jurisdictions in Athens and Thessaloniki would allow dealing, among others, with cases of major economic significance. The legislation allows the creation of special chambers also in bigger administrative courts, and in certain Magistrate's courts as regards household insolvency cases. A full report on the application of said legislation is expected by end-October 2020. The authorities also adopted the Code of Procedure before the Court of Audit and are proceeding with the adoption of the Code of Judicial Staff and the Code on the Status of Judges and the Organisation of Courts, all of them introducing revisions that should contribute to enhancing the function of justice and the success of other justice reforms. Mandatory mediation is fully in force as of 1 July 2020 and an action plan detailing the deployment of relevant activities is due by November 2020. Last but not least, the authorities adopted legislation for the creation of the 'JustStat' unit for collection of statistical data in June 2020 and plan to draft the relevant secondary legislation by December 2020.

The National Anticorruption Plan is showing encouraging results. A recent significant step concerns the operationalisation of the National Coordinating Body for Audit and Accountability (ESOEL) in June 2020, tasked with activities coordinating the fight against corruption under the auspices of the National Authority for Transparency. Sectoral anti-corruption plans are being developed in the health and public procurement sectors, which will contribute to the efficient management of funds, including from the Recovery and Resilience Facility. The National Authority for Transparency strengthened the awareness-raising pillar of its portfolio and has made progress on improving public internal control systems, the national integrity system and regulation of lobbying activities. The Authority should become fully operational by November 2020. The authorities have set up a committee to oversee the implementation of recommendations of the Group of States against Corruption (GRECO) but the project is likely to fall behind schedule following the outbreak of the pandemic.

The report on political party financing for the year 2018 has been made public and, for the first time, triggered imposition of fines to nine political parties. This is a major move forward towards increasing transparency in the political sphere. The report delivered detailed information on the misappropriation that were investigated. The work of the committee for 2019, which was a multiple election year, has been delayed due to the coronavirus pandemic and should begin by October 2020.