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COVER NOTE

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To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
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Delegations will find attached document COM(2024) 714 final.

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EUROPEAN
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Strasbourg, 26.11.2024
COM(2024) 714 final

Recommendation for a

COUNCIL RECOMMENDATION

endorsing the national medium-term fiscal-structural plan of Greece

Recommendation for a

COUNCIL RECOMMENDATION

endorsing the national medium-term fiscal-structural plan 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 thereof,

Having regard to Regulation (EU) 2024/1263, and in particular Article 17 thereof,

Having regard to the recommendation from the Commission,

Whereas:

GENERAL CONSIDERATIONS

(1) A reformed EU economic governance framework entered into force on 30 April 2024. Regulation (EU) 2024/1263 of the European Parliament and of the Council on the effective coordination of economic policies and on multilateral budgetary surveillance[1], together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure[2], and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States[3] are the core elements of the reformed EU economic governance framework. The framework aims at ensuring public debt sustainability and sustainable and inclusive growth through reforms and investments. It promotes national ownership and has a medium-term focus, combined with an effective and coherent enforcement of the rules.

(2) The national medium-term fiscal-structural plans that Member States submit to the Council and to the Commission are at the centre of the new economic governance framework. The plans are to deliver on two objectives: i) ensuring that, by the end of the adjustment period, government debt is on a plausibly downward trajectory, or stays at prudent levels, and that the government deficit is brought and maintained below the reference value of 3% of GDP over the medium term, and ii) ensuring the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the EU. To that end, each plan is to present a medium-term commitment to a net expenditure[4] path, which

[1] 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 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

[2] Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1264/oj).

[3] Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: http://data.europa.eu/eli/dir/2024/1265/oj).

[4] Net expenditure as defined in Article 2 of Regulation (EU) 2024/1263, namely government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on Union programmes fully matched by revenue from Union funds, (iv) national expenditure on co-financing of

effectively establishes a budgetary constraint for the duration of the plan, covering four or five years (depending on the regular term of legislature in a Member State). In addition, the plan is to explain how the Member State will ensure the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations (including those pertaining to the macroeconomic imbalances procedure (MIP), if applicable), and how the Member State will address the common priorities of the Union. The period for fiscal adjustment covers a period of four years, which may be extended by up to three years if the Member State commits to delivering a set of relevant reforms and investments that satisfies the criteria set out in Regulation (EU) 2024/1263.

(3) Following the submission of the plan, the Commission is to assess whether it complies with the requirements of Regulation (EU) 2024/1263.

(4) Upon a recommendation from the Commission, the Council is to then adopt a recommendation to set the net expenditure path of the Member State concerned and, where applicable, endorses the set of reform and investment commitments underpinning an extension of the fiscal adjustment period.

CONSIDERATIONS CONCERNING THE NATIONAL MEDIUM-TERM FISCAL - STRUCTURAL PLAN OF GREECE

(5) On 7 October 2024, Greece submitted its national medium-term fiscal-structural plan to the Council and to the Commission. The submission took place following an extension of the deadline set out in Article 36 of Regulation (EU) 2024/1263, as agreed with the Commission on 24 September 2024 in view of the reasons provided by Greece.

Process prior to the submission of the plan

(6) On 21 June 2024 the Commission sent, according to Article 9 of Regulation (EU) 2024/1263, the reference trajectory[5] to Greece. The Commission published the reference trajectory on 8 October 2024[6]. The reference trajectory is risk-based and ensures that, by the end of the fiscal adjustment period and in the absence of further budgetary measures beyond the adjustment period, general government debt is on a plausibly downward trajectory or stays at prudent levels over the medium term, and the general government deficit is brought below 3% of GDP over the adjustment period and maintained below that reference value over the medium term. The medium term is defined as the ten-year period after the end of the adjustment period. In

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programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure and (vi) one-offs and other temporary measures.

5 Prior guidance transmitted to the Member States and Economic and Financial Committee includes trajectories without and with an extension of the adjustment period (covering 4 and 7 years, respectively). It also includes the main initial conditions and underlying assumptions used in the Commission's medium-term government debt projection framework. The reference trajectory was calculated on the basis of the methodology described in the Commission's *Debt Sustainability Monitor 2023* (https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023_en). It is based on the European Commission Spring 2024 Forecast and its medium-term extension up to 2033, and long-term GDP growth and ageing costs are in line with the joint Commission-Council *2024 Ageing Report* (https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en).

6 See: https://economy-finance.ec.europa.eu/document/download/d3a360b9-a45d-49ac-8769-038a48dbfb11_en?filename=Commission_prior_guidance_-_greece_en.pdf

accordance with Articles 7 and 8 of Regulation (EU) 2024/1263, the reference trajectory is also consistent with the debt sustainability safeguard and the deficit resilience safeguard.

The reference trajectory of Greece sets out that, based on the Commission's assumptions and assuming a four-year adjustment period, net expenditure should not grow by more than the values provided in Table 1. This corresponds to average net expenditure growth of 3.1% over the adjustment period (2025-2028).

Table 1: Reference trajectory provided by the Commission to Greece on 21 June 2024

	2025	2026	2027	2028	Average 2025-2028
Maximum net expenditure growth (annual, %)	3.0	3.2	3.1	3.0	3.1

Source: Commission's calculations.

(7) In line with Article 12 of Regulation (EU) 2024/1263, Greece and the Commission engaged in a technical dialogue from July to September 2024. The dialogue centred on the net expenditure path envisaged by Greece and its underlying assumptions, as well as the envisaged delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and the common priorities of the Union in fair green and digital transition, social and economic resilience, energy security and the build-up of defence capabilities.

(8) The plan submitted by Greece does not report on a consultation process with relevant stakeholders (including social partners) prior to submission.

(9) The Hellenic Fiscal Council (HFC) delivered an opinion endorsing the macroeconomic forecast and the macroeconomic assumptions underpinning the multi-annual net expenditure path. However, the Hellenic Fiscal Council called for vigilance regarding external shocks and macroeconomic uncertainties. The Hellenic Fiscal Council recommended the promotion of structural reforms in the goods, services and labour markets, as well as actions to address adverse demographic trends.

(10) The plan was discussed in the national parliament on 4 October 2024.

Other related processes

(11) On 15 October 2024, Greece submitted its Draft Budgetary Plan for the year 2025. The Commission adopted an opinion on this Draft Budgetary Plan on [26 November 2024][7].

(12) On 19 June 2024, the Commission concluded that Greece is experiencing macroeconomic imbalances. In particular, Greece faces vulnerabilities related to high government debt and high non-performing loans in the context of high unemployment, which remain relevant but have receded markedly and are expected to recede further, but the external position remains weak[8].

7 Commission Opinion on the Draft Budgetary Plan of Greece, 26.11.2024, C(2024)9053 final.

8 'Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank', COM (2024) 600 final, Appendix 4

(13) On 21 October 2024, the Council addressed to Greece a series of country-specific recommendations (CSRs) in the context of the European Semester[9].

SUMMARY OF THE PLAN AND THE COMMISSION'S ASSESSMENT THEREOF

(14) In line with Article 16 of Regulation (EU) 2024/1263, the Commission assessed the plan as follows:

Context: macroeconomic and fiscal situation and outlook

(15) Economic activity in Greece grew by 2.3% in 2023, driven by private consumption, investment in construction, and net exports. According to the European Commission Autumn 2024 Forecast, the economy is expected to grow by 2.1% in 2024, driven by solid private consumption growth and accelerating equipment investment. At the same time, a surge in imports accompanied by sluggish export growth is expected to lead to a decline in net exports. In 2025, real GDP is set to increase by 2.3%, as consumption is expected to continue expanding at a robust pace and investment is forecast to accelerate further, as the implementation of the recovery and resilience plan (RRP) is shifting from reforms towards investments. Net exports are assumed to remain a drag on growth as import growth is projected to remain strong. In 2026, real GDP is expected to increase by 2.2%, as domestic demand is forecast to continue expanding at a solid pace, while net exports are set to have a neutral impact on GDP growth. Potential GDP growth in Greece is expected to increase from 0.7% estimated for 2023 to 2.0% by 2026, driven by rising total factor productivity, reflecting the positive impact of structural reforms, as well as an increasing contribution from labour and capital. The unemployment rate stood at 11.1% in 2023, and is projected by the Commission to amount to 10.4% in 2024, 9.8% in 2025 and 9.2% in 2026. Inflation (GDP deflator) is projected to decrease from 5.9% in 2023 to 3.5% in 2024, and to reach 2.4% in 2025 and 2.2% in 2026.

(16) Regarding fiscal developments, in 2023 Greece's general government deficit amounted to 1.3% of GDP. According to the European Commission Autumn 2024 Forecast, it is set to fall to 0.6% of GDP in 2024 and to decline further to 0.1% of GDP in 2025 and, on a no-policy change basis, to turn into a surplus of 0.2% in 2026. The European Commission Autumn 2024 Forecast includes Greece's preliminary draft budget for 2025 that the government proposed to the national parliament in October. General government debt was 163.9% of GDP at end 2023. According to the European Commission Autumn 2024 Forecast, the debt ratio is expected to decline to 153.1% of GDP at end-2024. It is projected to decrease further to 146.8% of GDP by end-2025 and 142.7% by end-2026. The fiscal forecast by the Commission does not consider the policy commitments in the medium-term plans as such until they are underpinned by credibly announced and sufficiently specified concrete policy measures.

Net expenditure path and main macroeconomic assumptions in the plan

(17) Greece's national medium-term fiscal-structural plan covers the period 2025-2028 and presents a fiscal adjustment over four years.

(18) The plan contains all information required by Article 13 of Regulation (EU) 2024/1263, with the exception of the information on the consultation of domestic

[9] Council Recommendation on economic, budgetary, employment and structural policies of Greece, not yet published.

stakeholders prior to the submission required by Article 13 (g) (vi) of Regulation (EU) 2024/1263.

(19) The plan commits to the net expenditure path indicated in Table 2, corresponding to average net expenditure growth of 3.3% over the years 2025-2028. The average net expenditure growth reported in the plan over the adjustment period (2025-2028) is higher than the reference trajectory transmitted by the Commission on 21 June 2024. The plan assumes potential GDP growth to increase to 2.5% in 2025 (from 1.2% in 2024), before decreasing to 1.5% in 2028. In addition, the plan expects the growth rate of the GDP deflator to decrease to 2.2% in 2025 (from 3.0% in 2024), before increasing to 2.4% in 2028.

Table 2: Net expenditure path and main assumptions in Greece's plan

	2024	2025	2026	2027	2028	Average over the period of validity of the plan 2025-2028
Net expenditure growth (annual, %)	2.6	3.7	3.6	3.1	3.0	3.3
Net expenditure growth (cumulative, from base year 2023, %)	2.6	6.5	10.3	13.7	17.1	n.a.
Potential GDP growth (%)	1.2	2.5	2.4	1.7	1.5	2.0
Inflation (GDP deflator growth) (%)	3.0	2.2	2.3	2.3	2.4	2.3

Source: Medium-term fiscal-structural plan of Greece and Commission calculations

Implications of the plan's net expenditure commitments for general government debt

(20) If the net expenditure path committed to in the plan and the underlying assumptions materialise, general government debt would, according to the plan, gradually decrease from 153.7% in 2024 to 133.4% of GDP at the end of the adjustment period (2028), as per the following table. After the adjustment, over the medium term (i.e. until 2038), the debt ratio is projected to continue to decline according to the plan, reaching 114.9% by 2038.

Table 3: General government debt and balance developments in Greece's plan

	2023	2024	2025	2026	2027	2028	2038
Government debt (% of GDP)	161.9	153.7	149.1	143.1	138.0	133.4	114.9
Government balance (% of GDP)	-1.6	-1.0	-0.6	-0.8	-1.1	-1.2	-2.5

Source: Medium-term fiscal-structural plan of Greece

Thus, according to the plan, the general government debt ratio would be put on a downward path by the end of the adjustment period (2028). This is plausible as, based on the plan's assumptions, debt is projected in the plan to decline over the ten years following the adjustment period under all deterministic stress tests of the Commission's Debt Sustainability Analysis, and the stochastic projections indicate that debt would decline with a sufficiently high probability. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for debt as set out in Articles 6, point (a), and 16(2) of Regulation (EU) 2024/1263.

Implications of the plan's net expenditure commitments for the general government balance

(21) Based on the plan's net expenditure path and assumptions, the general government deficit would decline to 0.6% of GDP in 2025 and would follow a gradual upward trend reaching 1.2% of GDP by the end of the adjustment period. Thus, according to the plan, the general government balance would not exceed the 3% of GDP reference value at the end of the adjustment period 2028. In addition, in the ten years following the adjustment period (i.e. until 2038), the government deficit would not exceed 3% of GDP. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for the deficit as set out in Articles 6, point (b), and 16(2) of Regulation (EU) 2024/1263.

Time profile of the fiscal adjustment

(22) The time profile of the fiscal adjustment, measured as the change in the structural primary balance, as described in the plan, is linear, as required by Article 6, point (c), of Regulation (EU) 2024/1263. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the no-backloading safeguard clause set out in Articles 6, point (c), and the transitional provision in Article 36(1), point (e), of Regulation (EU) 2024/1263.

Table 4: Structural primary balance developments in Greece's plan

	2023	2024	2025	2026	2027	2028
Structural primary balance (% of GDP)	1.9	1.9	2.0	2.1	2.2	2.3
Change in structural primary balance (pps.)	n.a.	0.1	0.1	0.1	0.1	0.1

Source: Medium-term fiscal-structural plan of Greece

Consistency with the deficit resilience safeguard

(23) If the plan's assumptions and commitments materialise, the structural deficit would remain below 1.5% of GDP throughout the adjustment period. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the common resilience margin referred to in Article 8(1) of Regulation (EU) 2024/1263 will continue to be respected, and therefore the additional improvement in the structural primary balance referred to in Article 8(2) of Regulation (EU) 2024/1263 is not required.

Consistency of the plan with the debt sustainability safeguard

(24) In accordance with Article 7 of Regulation (EU) 2024/1263, as the government debt will be above 90% of GDP over the adjustment period according to the plan, the debt ratio is required to decline by at least 1 percentage point on average per year until it falls below 90%, after which it should decline by 0.5 percentage points on average. This average decline is calculated over the period 2024-2028 and amounts to 5.1 percentage points (see Table 3). Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the debt sustainability safeguard.

Macroeconomic assumptions of the plan

(25) The plan is based on a set of macroeconomic and fiscal assumptions which differs from the Commission's assumptions transmitted to Greece on 21 June 2024. In particular, the plan uses different assumptions for four variables, namely the initial

fiscal position (i.e. the structural primary balance in 2024), potential GDP growth, the net budgetary impact of one-off measures in 2024 and the assumed revenue elasticity. A careful assessment of these differences in assumptions is necessary, especially as average net expenditure growth in the plan is higher than in the reference trajectory. The differences in assumptions with the most significant impact on average net expenditure growth are listed below, together with an assessment of each difference considered in isolation.

- The plan uses more up-to-date data for the initial fiscal position and projects the general government deficit at 0.6% of GDP in 2024, compared to a projected 1.2% of GDP deficit in the prior guidance of spring 2024. This is due to higher-than-expected tax revenues based on outturn data and an additional revenue-increasing fiscal policy measure announced in June 2024. Consequently, this assumption is deemed to be duly justified. This projection is more cautious than the European Commission 2024 Autumn forecast. As a result, according to the plan, the structural budget deficit is set to be below 1.5% of GDP in 2024, while the reference trajectory was based on a structural budget deficit of 1.7% of GDP for the same year in line with the Commission's assumptions. This implies that the deficit resilience safeguard does not apply given that in the plan the structural deficit is assumed to be below 1.5% of GDP in 2024, thus contributing to higher average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions.
- The plan assumes potential GDP growth to increase from an estimated 0.6% in 2023 to 2.5% by 2026 and to moderate to 1.5% by 2028, averaging at 2% over the adjustment period. In the prior guidance of the Commission, potential output is projected to grow by 1.3% on average over the same period. Beyond the adjustment period, the plan assumes slower potential growth compared to the Commission's assumption. Overall, the average potential growth assumed in the plan over the period of 2025-2038 is consistent with the Commission's assumption, but the potential growth profile is more volatile. This difference contributes to higher average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. This assumption is not consistent with the common DSA framework.
- The plan assumes a revenue elasticity of 0.825 as opposed to the unitary elasticity to potential GDP growth assumed by the Commission. This contributes to a lower required adjustment and hence a lower average net expenditure growth over the adjustment period in the plan than according to the Commission's assumptions. The plan justifies the different assumption by referring to empirical literature indicating that, over the preceding years, Greece's revenue elasticity had been lower than the EU average. This difference compared with the Commission's assumptions is on the cautious side, motivated by prudent budgetary policymaking, and therefore it is duly justified.

The remaining differences in assumptions do not have a significant impact on average net expenditure growth compared to the Commission's assumptions. On balance, the impact on average net expenditure growth from the more cautious assumption on the elasticity balances that of the different assumption on potential GDP growth. In turns, this implies that the difference between the net expenditure path in the plan and the reference trajectory is only explained by the updated initial fiscal position. Overall, all the differences in assumptions taken together lead to an average net expenditure growth in the plan that is higher than the reference trajectory. Based on this assessment, the plan fulfils the requirement under Article 13(b) of Regulation (EU) 2024/1263. The Commission will take into account the above assessment of the plan's assumptions in future assessments of compliance with the net expenditure path.

Fiscal strategy of the plan

(26) According to the indicative fiscal strategy in the plan, the commitments on net expenditure will be delivered through fiscal policy measures on both the expenditure and revenue side of the budget, along with changing priorities of fiscal policy. The fiscal strategy set out in the plan includes measures that aim to strengthen disposable income and address demographic challenges and housing needs without jeopardising compliance with the net expenditure growth path. The net expenditure path allows for an increase in net expenditures by 3.3% per year on average. Within this margin, Greece is planning to undertake revenue decreasing measures such as a decrease in social solidarity contributions and the abolition of the lump-sum tax for self-employed as well as expenditure increasing measures, the most important being the gradual increase in public sector wages induced by the planned increase of the minimum wage. Other measures include interventions to support families with children and actions for affordable housing and increasing the housing stock. The specification of the policy measures to be adopted is to be confirmed or adjusted and quantified in the annual budgets. There are some risks to the implementation of the indicative fiscal strategy in the plan, arising from pending legal cases, most notably the litigation cases against the Public Real Estate Company which may imply restraint in other net expenditure items. The Draft Budgetary Plan for 2025 is consistent with the net expenditure commitment for 2025[10].

Reform and investment intentions in the plan responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the Union

(27) The plan describes policy intentions concerning reforms and investments to respond to the main challenges identified in the context of the European Semester, especially the CSRs, including those pertaining to the MIP, and to address the common priorities of the EU. The plan includes about 226 reforms and investments, of which 132 are financially supported by the Recovery and Resilience Facility, and 52 by the cohesion policy funds.

(28) Concerning the common priority of a fair green and digital transition, including the climate objectives set out in Regulation (EU) 2021/1119, the plan includes eighty-eight reforms and investments that Greece expects will contribute towards its green and digital transition. A significant number of the reforms and investments on the green transition features as measures in the Greek RRP, including the REPowerEU chapter, or are supported by cohesion policy funds. For example, the reforms and investments contained in the plan are expected to contribute to address specific CSRs, including by reducing Greece's reliance on fossil fuels through expanding the electricity production from renewable energy sources, including offshore wind and hydrogen, as well as enhancing the capacity of the energy infrastructure and networks (2023 and 2022 CSRs on renewable energy, energy infrastructure and networks).

[10] See Commission Opinion on the Draft Budgetary Plan of Greece, 26.11.2024, C(2024)9053 final.

Other reforms and investments in the plan aim to improve the country's energy efficiency of its building stock (2023 and 2022 CSRs on energy efficiency), restructure the municipal water management entities and strengthen irrigation and wastewater management infrastructure (2019 CSR on environmental policy and resource management), and prepare special spatial plans and strengthen the civil protection management system (2024 CSR on climate adaptation). The Greek plan also includes some reforms and investments that aim to electrify Greece's transport sector, including an organisational reform in the railways sector and investments to expand the charging points for electric vehicles across Greece, which are expected to contribute towards a more sustainable transport sector (2024, 2023 and 2022 CSRs on transport). As concerns the digital transition, examples of reforms and investments included in the plan are a reform that aims to complete the national cadastre, which is expected to strengthen the business environment (2023 CSR on business environment), an investment aiming to digitalise public archives, which is expected to contribute towards the digitalisation of the public administration (2020 and 2019 CSRs on digitalisation of public administration and public services) and an investment aiming to support the development of digital tools to Greek SMEs (2019 CSR on digitalisation of businesses). The majority of reforms and investments that are part of the plan and aims to contribute towards Greece's digital transition is part of the Greek RRP or are supported by cohesion policy funds.

(29) Concerning the common priority of social and economic resilience, including the European Pillar of Social Rights, the plan includes ninety-four reforms and investments that Greece expects will contribute to strengthening the country's social and economic resilience. Examples of reforms and investments that are part of the Greek plan and related to specific CSRs, include modifications of Greece's tax policy framework, which is expected to contribute to broaden the base of income taxes and enhance the operational autonomy of the tax administration (2023 and 2022 CSRs on taxation policy and tax administration), the rollout of the primary healthcare reform, which is expected to contribute to the accessibility, adequacy and sustainability of the healthcare (2023 and 2022 CSRs on healthcare) increase public and private investment in research and development (2019 CSR on research and innovation); as well as promoting investments aiming to strengthen social cohesion, education and employability that is expected to contribute towards the upskilling and reskilling (2019 and 2023 CSRs on skills, vocational education and training and adult learning as well as education and 2019 CSR on active labour market policies and ensuring social inclusion). Furthermore, the plan includes reforms and investments that are expected to contribute towards the modernisation of the public administration (2024, 2023 and 2022 CSRs on public administration) further reducing the stock of non-performing loans (2024 and 2023 CSRs on private sector debt and insolvency framework and on financial stability, which are also linked to the MIP) and a reform aiming to restructure the Hellenic Corporation of Assets and Participations (2024 CSR on state-owned enterprises). The plan does not contain specific reforms that aim at improving the investment friendliness of the taxation system by reinforcing its legal certainty (2024, 2023 and 2022 CSRs on taxation policy, which are also linked to the MIP).

(30) Concerning the common priority of energy security, the plan includes eleven reforms and investments that Greece expects will contribute towards strengthening the country's energy security and to contribute to addressing specific CSRs. These reforms and investments measures are all part of Greece's RRP, including its REPowerEU chapter. For example, the Greek plan contains reforms to increase the country's storage capacity and improve its energy efficiency (2023 and 2022 CSR on

energy infrastructure and energy efficiency). Further, the plan contains investments aiming to further increase the electricity production from renewable energy sources and strengthen the capacity of the electricity networks (2023 and 2022 CSRs on renewable energy and networks), which are also expected to make Greece less reliant on fossil fuels, thereby strengthening its energy security.

(31) Concerning the common priority of defence capabilities, the plan includes fourteen reforms and investments, one of which is part of the Greek RRP, that Greece expects will contribute towards strengthening the country's defence capabilities.

(32) The plan provides information on the consistency and, where appropriate, complementarity, with the cohesion policy funds and Greece's RRP. Specifically, the plan contains detailed tables per ministry that set out the relevant reforms and investments for each common priority, their link to CSRs and whether they are part of the RRP or other EU-funding instruments (mainly EU cohesion policy funds).

(33) The plan provides an overview of the public investment needs of Greece related to the common priorities of the EU and aims to contribute to meet those investment needs. For the green and digital transition priority, the plan lists the main priorities that the cohesion policy funds will cover, including the Just Transition Development Programme, while it also lists specific investment needs per ministry that covers investments that are part of the Greek RRP. The plan states that 30% of the total budget from cohesion policy funds for the period 2021-2027 has been allocated to policies dedicated to actions for green transition. For the social and economic resilience priority, including the European Pillar of Social Rights, the plan lists the main priorities that the cohesion policy funds (2021-2027) will cover, including ESF+, while it also lists specific investment needs per ministry that covers investments that are part of the Greek RRP. For the energy security priority, the plan makes reference to the investment "Independent Natural Gas System (ASFA) Alexandroupolis", which will be supported by cohesion policy funds, and is expected to significantly contribute towards the natural gas sources diversification of Greece, thereby allowing for the further reduction of the country's dependency on natural gas originating from Russia. For the priority to build-up of defence capabilities, the plan lists specific projects that will be carried out by the Ministry of National Defence and the Ministry of Citizens' Protection, including to strengthen Greece's defence industry with the contribution of the Hellenic Centre for Defence Innovation and the provision of unmanned aerial systems for border surveillance.

Conclusion of the Commission's assessment

(34) Overall, the Commission is of the view that Greece's plan fulfils the requirements of Regulation (EU) 2024/1263.

OVERALL CONCLUSION

(35) In accordance with Article 17 of Regulation (EU) 2024/1263, the net expenditure path as set in the plan should be recommended by the Council to Greece.

HEREBY RECOMMENDS that Greece

(1) Ensure that net expenditure growth does not exceed the maxima established in Annex I to this Recommendation.

In addition, the Council invites Greece to ensure the delivery of reforms and investments responding to the main challenges identified in the context of the

European Semester, in particular in the country-specific recommendations, and addressing the common priorities of the Union.

ANNEX I

Maximum growth rates of net expenditure

(annual and cumulative growth rates, in nominal terms)

Greece

Years		2025	2026	2027	2028
Growth rates **(%)**	Annual	3.7	3.6	3.1	3.0
	Cumulative (*)	6.5	10.3	13.7	17.1

(*) The cumulative growth rates are calculated by reference to the base year of 2023.

Done at Strasbourg,

For the Council
The President