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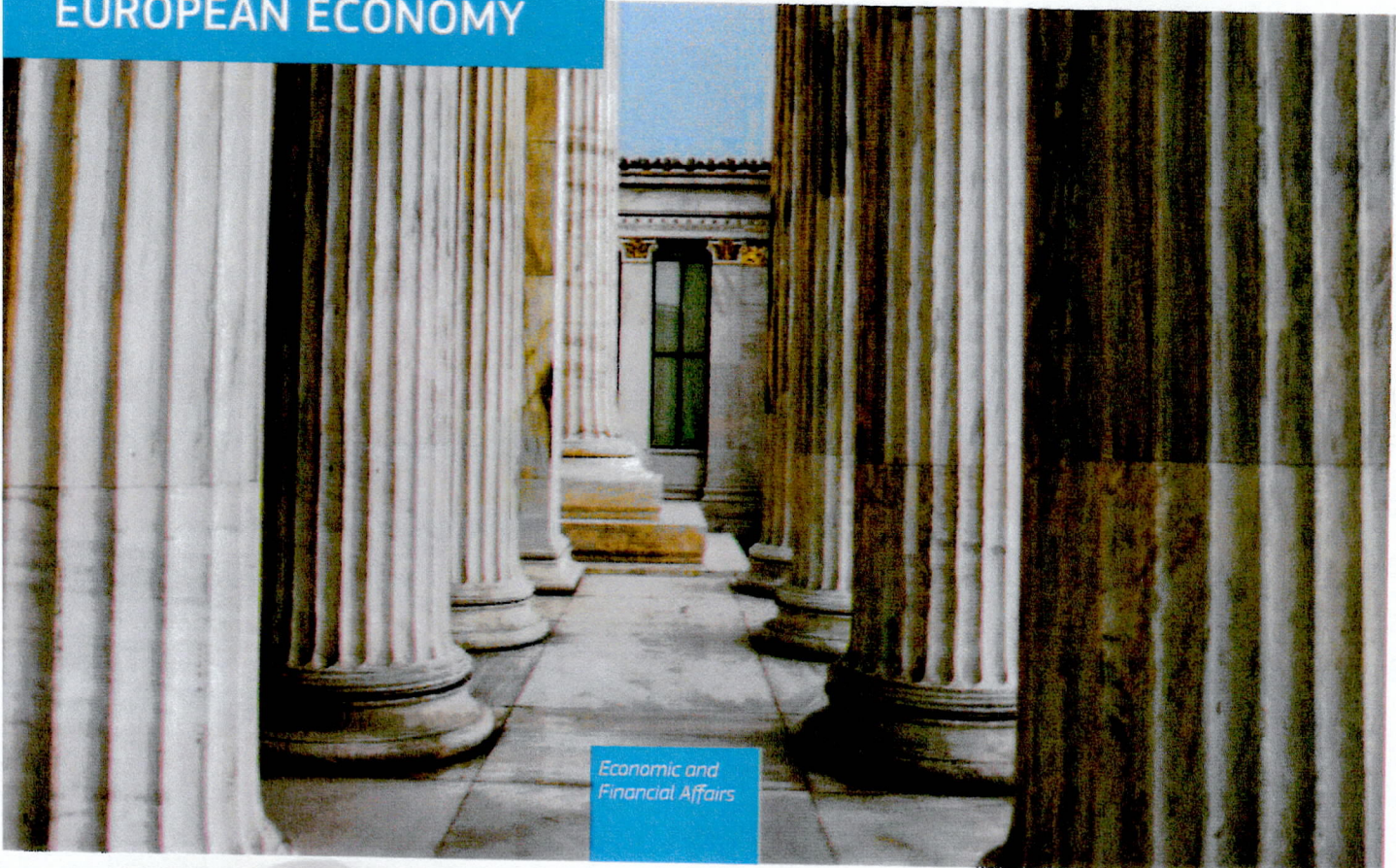
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# Enhanced Surveillance Report

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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.

## 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)<sup>(5)</sup>, 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.

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<sup>(5)</sup> Council Regulation (EU) 2020/672 of 19 May 2020.

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 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 commitments 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