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Acts whose titles are printed in light type are those relating to day-to-day management of agricultural matters, and are generally valid for a limited period.

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II

(Non-legislative acts)

INTERNATIONAL AGREEMENTS

Notice concerning the date of entry into force of the Agreement in the form of an Exchange of Letters between the European Union and the Argentine Republic pursuant to Article XXVIII of the General Agreement on Tariffs and Trade (GATT) 1994 relating to the modification of concessions on all the tariff-rate quotas included in the EU Schedule CLXXV as a consequence of the United Kingdom's withdrawal from the European Union

The Agreement in the form of an Exchange of Letters between the European Union and the Argentine Republic pursuant to Article XXVIII of the General Agreement on Tariffs and Trade (GATT) 1994 relating to the modification of concessions on all the tariff-rate quotas included in the EU Schedule CLXXV as a consequence of the United Kingdom's withdrawal from the European Union ⁽¹⁾, signed in Brussels on 10 May 2021, entered into force on 13 July 2021.

⁽¹⁾ OJ L 264, 26.7.2021, p. 3.

DECISIONS

COMMISSION IMPLEMENTING DECISION (EU) 2021/1279

of 28 July 2021

on the prolongation of enhanced surveillance for Greece

(notified under document C(2021) 5605)

(Only the Greek text is authentic)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 472/2013 of the European Parliament and of 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 ⁽¹⁾, and in particular Article 2(1) thereof,

Whereas:

- (1) Following the expiry of the European Stability Mechanism financial assistance on 20 August 2018, the Commission Implementing Decision (EU) 2018/1192 ⁽²⁾ activated enhanced surveillance for Greece for a period of six months, as from 21 August 2018. Enhanced surveillance was subsequently prolonged five times ⁽³⁾, each time for an additional period of six months, the last time as from 21 February 2021.
- (2) Since 2010, Greece has received a substantial amount of financial assistance, as a result of which Greece's outstanding liabilities towards the euro-area Member States, the European Financial Stability Facility and the European Stability Mechanism come to a total amount of EUR 242 152 million. Greece received financial support from its European partners on concessional terms and specific measures to place debt on a more sustainable footing were adopted in 2012 and again by the European Stability Mechanism in 2017. On 22 June 2018, it was politically agreed in the Eurogroup to implement additional measures to ensure debt sustainability. Some of these measures, including the transfer of amounts equivalent to the income earned by euro area national central banks on Greek government bonds held under the Agreement on Net Financial Assets and the Securities Market Programme, can be agreed bi-annually in the Eurogroup, on the basis of a positive reporting under enhanced surveillance on Greece's compliance with its post-programme policy commitments. The release of the first five tranches of policy-contingent debt measures were implemented following an agreement by the Eurogroup in April 2019, December 2019, June 2020, November 2020 and June 2021, respectively.
- (3) Greece has made a commitment in the Eurogroup to continue and complete all key reforms adopted under the European Stability Mechanism stability support programme ('the programme') and to safeguard the objectives of the important reforms adopted under that programme and its predecessors. Greece has also committed to implement specific actions in the areas of fiscal and fiscal-structural policies, social welfare, financial stability,

⁽¹⁾ OJ L 140, 27.5.2013, p. 1.

⁽²⁾ Commission Implementing Decision (EU) 2018/1192 of 11 July 2018 on the activation of enhanced surveillance for Greece (OJ L 211, 22.8.2018, p. 1).

⁽³⁾ Commission Implementing Decision (EU) 2019/338 (OJ L 60, 28.2.2019, p. 17); Commission Implementing Decision (EU) 2019/1287 (OJ L 202, 31.7.2019, p. 110); Commission Implementing Decision (EU) 2020/280 (OJ L 59, 28.2.2020, p. 9); Commission Implementing Decision (EU) 2020/5086 (OJ L 248, 31.7.2020, p. 20); and Commission Implementing Decision (EU) 2021/271 (OJ L 61, 22.2.2021, p. 3).

labour and product markets, privatisation and public administration. Those specific actions, which are set out in an annex to the Eurogroup statement of 22 June 2018, will contribute to addressing Greece's excessive macroeconomic imbalances and the sources or potential sources of economic difficulties.

- (4) On 2 June 2021, the Commission published the 2021 in-depth review for Greece ⁽⁴⁾. The Commission concluded that Greece continues to experience excessive macroeconomic imbalances. These imbalances related to high government indebtedness, the high share of non-performing loans and incomplete external rebalancing, in a context of still high – although declining – unemployment and low potential growth. The analysis shows that these vulnerabilities remain. It should be noted that the context of the assessment of vulnerabilities in this year's in-depth review for Greece is markedly different from last year. Also, the evolution of the COVID-19 pandemic, the strength of the recovery, and possible structural implications of the crisis are all still surrounded by high uncertainty, requiring caution in the assessment. In general, policy action over the past year focused on cushioning the impact of the COVID-19 shock and facilitating the recovery. This has added to indebtedness but should support adjustment in the medium-term. Government debt increased sizeably in 2020 and is expected to start decreasing only as from 2022. Government debt is mostly held by official sector creditors and financed at low rates with long maturities, which, together with the large cash buffer, insulates Greece from short-term fluctuations. The current account deficit has widened recently and is forecast to remain large, in large part because of the impact of the COVID-19 crisis on the sizeable tourism sector. The still high non-performing loans ratio in the banking sector has been on a marked declining trend, mostly due to sales of loans supported by the 'Hercules' asset protection scheme. However, there is a risk that new non-performing loans will start accumulating again, once policies to protect borrowers from the COVID-19 shock are phased out. At the same time, the sovereign bank nexus is persistent and rising and the bank profitability outlook still weak. Efforts to strengthen growth prospects face headwinds from the depleted capital stock, an ageing population and outward migration of skilled labour. Looking forward, the Greek Recovery and Resilience Plan provides an opportunity to address imbalances, investment and reforms needs.
- (5) Since the pandemic started, the EU and its Member States have taken unprecedented measures to protect lives and livelihoods. In response to the COVID-19 pandemic, and as part of a coordinated Union approach, Greece continued to adopt measures to increase the capacity of its health system and expanded the set of fiscal and liquidity measures aiding persons and businesses that have been particularly affected. The EU supported national efforts to tackle the health crisis and cushion the impact of the economic hit. It freed-up its budget to fight the virus, activated the general escape clause of the Stability and Growth Pact, used the full flexibility of the State aid rules and created new support instruments including the Response Investment Initiatives (CRII and CRII+) and SURE (a new instrument for temporary Support to mitigate Unemployment Risks in an Emergency). Under SURE, Greece has received EUR 5,2 billion. With the approved project financing of EUR 1,8 billion, Greece is also benefiting from a dedicated Pan-European Guarantee Fund of the European Investment Bank that mobilises support to businesses across the EU. These measures are complemented by others taken by the European Central Bank, the European Stability Mechanism and the European Investment Bank.
- (6) The Commission published its tenth assessment under enhanced surveillance on Greece ⁽⁵⁾ on 2 June 2021. It concluded that Greece has taken the necessary actions to achieve its due specific commitments, despite the challenging circumstances caused by the pandemic. The authorities delivered on a number of fundamental reforms, including in the areas that will be key to managing the long-run repercussions from the current economic crisis and strengthening the capacity of the public administration to successfully implement the Recovery and Resilience Plan.
- (7) The EU established on 23 December 2020 a Recovery Instrument, which provides EUR 750 billion to tackle the adverse economic consequences of the COVID-19 crisis and boost the recovery. The Instrument is to be implemented notably through the EUR 672,5 billion Recovery and Resilience Facility ("the Facility"). The 2020-2021 European Semester of policy coordination was temporarily adapted to allow for the launch of the Facility. Through the Facility, Greece is entitled to receive up to EUR 17,8 billion in grants and up to EUR 12,7 billion in loans in 2021-2026.

⁽⁴⁾ Communication from the Commission on Economic Policy Coordination in 2021: Overcoming COVID-19, Supporting the Recovery and Modernising our Economy, COM(2021)500. In-depth Review for Greece, COM(2021)403.

⁽⁵⁾ European Commission: Enhanced Surveillance Report – Greece, June 2021, COM(2021)528.

- (8) Greece presented its Recovery and Resilience Plan (“the plan”) on 27 April 2021. Pursuant to Article 19 of the Regulation on the Recovery and Resilience Facility, the Commission assessed ⁽⁶⁾ the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan. Based on a proposal ⁽⁷⁾ presented by the Commission on 17 June 2021, the positive assessment of the plan was approved by the Council on 13 July 2021 ⁽⁸⁾. The Council in particular considered that the plan contributes to effectively addressing a significant subset of economic and social challenges identified in the country-specific recommendations, including the fiscal aspects thereof, and recommendations made pursuant the Macroeconomic Imbalances Procedure. The reforms included in the Greek Recovery and Resilience Plan build on the very large reform effort undertaken under the economic adjustment programmes and are complementary to reforms monitored under enhanced surveillance.
- (9) In light of the Commission’s 2021 in-depth review and on the basis of a Commission assessment, the Council examined the 2021 Stability Programme. In view of the currently still exceptionally high degree of uncertainty, the fiscal policy guidance remained predominantly qualitative. It recommended ⁽⁹⁾ Greece to use the Recovery and Resilience Facility to finance additional investment in support of the recovery while pursuing a prudent fiscal policy in 2022 and preserving nationally financed investment. When economic conditions allow, Greece should pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term. At the same time, investment should be enhanced to boost growth potential. The Council also called on the authorities to pay particular attention to the composition of public finances.
- (10) Since the onset of the pandemic, Greece maintained its presence on the bond markets and carried on with implementing its funding plan, which was fully executed in 2020. Notably, in March 2021, EUR 2,5 billion were raised through the issuance of a 30-year government bond, which was the first 30-year Greek sovereign bond issued since 2007. Greece also carried out the partial early-repayment of the International Monetary Fund loans in March 2021, which helps reduce the foreign exchange risk and contributes to improve the confidence of financial markets. Greece’s sovereign credit rating has continued to improve in 2021 despite the pandemic, further narrowing the gap to investment grade. The current favourable financing conditions are supported by liquidity measures agreed at European level, including the European Central Bank’s Pandemic Emergency Purchase Programme. On the basis of the debt sustainability analysis presented in the 10th enhanced surveillance report, the government gross financing needs are expected to remain elevated in the short term mainly due to the high primary deficit projected for 2021 and the implementation of the Loan Facility presented in the Recovery and Resilience Plan in 2021-2022, although the latter additional financing need is covered by the assumed disbursement of the Recovery and Resilience Facility loan. In the following years, financing needs are expected to be moderate and remain below 15 % of GDP until 2030.
- (11) The Greek banking sector has become more stable and resilient to shocks since the end of the European Stability Mechanism programme, but legacy risks and significant underlying vulnerabilities remain, reinforced by the negative impact of the Coronavirus outbreak. Banks maintain adequate liquidity, taking advantage of accommodative monetary policy conditions. The still high ratio of non-performing loans in the banking sector has been on a marked declining trend, reaching 30.1 % in December 2020, down from 40.6 % in December 2019 ⁽¹⁰⁾, mostly due to sales of loans supported by the ‘Hercules’ asset protection scheme, which has recently been extended. However, downside risks persist and could materialise following the lifting of state support programmes. The debt repayment capacity of both households and non-financial corporations remains low, while the underdeveloped capital market limits firms’ access to non-debt financing. Still, initial signs of payment behaviour following the expiry of the moratoria suggest that the adverse impact on asset quality may be broadly in line with banks’ original expectations or the lower end of Bank of Greece’s current projections. The capital position of the banking system as a whole is broadly adequate but profitability remains low while the sovereign bank nexus was reinforced during the

⁽⁶⁾ Commission assessment of the recovery and resilience plan for Greece, SWD(2021)155.

⁽⁷⁾ COM(2021) 328 final.

⁽⁸⁾ Council Implementing Decision of 13 July 2021 on the approval of the assessment of the recovery and resilience plan for Greece.

⁽⁹⁾ Council Recommendation of 13 June 2021 delivering a Council opinion on the 2021 Stability Programme of Greece.

⁽¹⁰⁾ Source: Bank of Greece, measured at solo level.

pandemic crisis. The authorities are also moving forward with crucial financial sector reforms, in particular, the new insolvency code, which entered into force in June 2021. However, the pandemic-related disruptions to court proceedings continue to weigh on the debt enforcement process and the implementation of other reforms in the financial sector, which aim to improve the existing tools for the resolution of non-performing loans, but the processes are gradually restarting. The impact of these reforms will depend on the timeliness and effectiveness of their implementation.

- (12) The authorities continue making progress on structural reforms that are relevant for addressing the root causes of Greece's economic difficulties ⁽¹⁾, and improving growth potential, which in turn would contribute to the reduction of the high debt ratio. In addition to the above-mentioned reform of the insolvency legislation, the government has continued working on modernising the labour market legislation, vocational education and training and university education. It has further maintained consistent progress on investment licensing reforms and public administration reforms, strengthened the capacity of the tax administration, reformed the electricity market, and advanced on a number of flagship privatisation projects and corporate governance reforms of state-owned enterprises. Nevertheless, there remains substantial scope to advance further on institutional and structural reforms, including of the regulatory, administrative and judicial framework. The implementation of reforms and investments in the Greek recovery and resilience plan is expected to be a key opportunity in this respect.
- (13) In light of the above, the Commission concludes that the conditions justifying the establishment of enhanced surveillance pursuant to Article 2 of Regulation (EU) 472/2013 are still present. In particular, Greece continues to face risks with respect to its financial stability which, if they materialise, could have adverse spill-over effects on other euro-area Member States. Should any spillover effects materialise, they could occur indirectly by impacting investor confidence and thus refinancing costs for banks and sovereigns in other euro-area Member States.
- (14) Therefore, over the medium term, Greece needs to continue adopting measures to address the sources or potential sources of difficulties and implementing structural reforms to support a robust and sustainable economic recovery. These include the severe and protracted downturn during the crisis; the size of Greece's debt burden; its financial sector vulnerabilities; the continued relatively strong interlinkages between the financial sector and Greek public finances, including through State ownership; the risk of contagion of severe tensions in either of those sectors to other Member States, as well as euro-area Member States' exposure to the Greek sovereign.
- (15) In order to address residual risks and monitor the fulfilment of the commitments geared thereto, it appears necessary and appropriate to prolong the enhanced surveillance of Greece pursuant to Article 2(1) of Regulation (EU) No 472/2013.
- (16) Greece was given the opportunity to express its views on the assessment of the Commission, via a letter sent on 10 June 2021. In its response on 17 June 2021, Greece broadly concurred with the Commission's assessment of the economic challenges it faces, which is the basis for prolonging enhanced surveillance.
- (17) Greece will continue to benefit from technical support provided under the Technical Support Instrument, which will in particular support Member States in the preparation and implementation of their recovery and resilience plans.
- (18) The Commission intends to closely collaborate with the European Stability Mechanism, in the context of its Early Warning System, in implementing the enhanced surveillance.

⁽¹⁾ See e.g. European Commission: Enhanced Surveillance Report – Greece, June 2021, COM(2021)528, and the Council Implementing Decision of 13 July 2021 on the approval of the assessment of the recovery and resilience plan for Greece and the accompanying Commission assessment SWD(2021)155.

HAS ADOPTED THIS DECISION:

Article 1

The period of enhanced surveillance of Greece under Article 2(1) of Regulation (EU) 472/2013 activated by Implementing Decision (EU) 2018/1192 shall be prolonged for an additional period of six months, commencing on 21 August 2021.

Article 2

This Decision is addressed to the Hellenic Republic.

Done at Brussels, 28 July 2021.

For the Commission
Paolo GENTILONI
Member of the Commission

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