COUNCIL RECOMMENDATION

of 10 July 2012

on the National Reform Programme 2012 of Greece

(2012/C 219/11)

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies [1], and in particular Article 5(2) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

After consulting the Economic and Financial Committee,

Whereas:

(1) On 26 March 2010, the European Council agreed to the Commission's proposal to launch a new strategy for jobs and growth, Europe 2020, based on enhanced coordination of economic policies, which focuses on the key areas where action is needed to boost Europe's potential for sustainable growth and competitiveness.

(2) On 13 July 2010, the Council adopted a recommendation on the broad guidelines for the economic policies of the Member States and the Union (2010 to 2014) and, on 21 October 2010, adopted a decision on guidelines for the employment policies of the Member States [2], which together form the 'integrated guidelines'. Member States were invited to take the integrated guidelines into account in their national economic and employment policies.

(3) On 12 July 2011, the Council adopted a recommendation [3] on Greece's National Reform Programme for 2011.

(4) On 23 November 2011, the Commission adopted the second Annual Growth Survey, marking the start of the second European Semester of *ex ante* and integrated policy coordination, which is anchored in the Europe 2020 strategy.

(5) The European Parliament has been duly involved in the European Semester, in accordance with Regulation (EC) No 1466/97, and, on 15 February 2012, adopted a resolution on employment and social aspects in the Annual Growth Survey 2012 and a resolution on the contribution to the Annual Growth Survey 2012.

(6) On 2 March 2012, the European Council endorsed the priorities for ensuring financial stability, fiscal consolidation and action to foster growth. It underscored the need to pursue differentiated, growth-friendly fiscal consolidation, to restore normal lending conditions to the economy, to promote growth and competitiveness, to tackle unemployment and the social consequences of the crisis, and to modernise public administration.

(7) On 2 March 2012, the European Council also invited the Member States participating in the Euro Plus Pact to present their commitments in time to be included in their Stability or Convergence Programmes and their National Reform Programmes.

(8) On 12 April 2012, Greece submitted its 2012 National Reform Programme and incomplete information regarding their budgetary plans due to the ongoing process of updating the Medium-Term Fiscal Strategy (MTFS) which is expected to be finalised soon. The Greek authorities are invited to submit the full set of standard tables required under the preventive arm of the Stability and Growth Pact once the MTFS update is completed.

(9) On 21 February 2012, the Eurogroup agreed on a second economic adjustment programme for Greece. The implementation of the economic policies outlined in the Memorandum of Understanding on Specific Economic Policy Conditionality will contribute to reducing the Greek public debt to 117 % of GDP by 2020. The Eurogroup also agreed that the official sector financing of the programme would amount to EUR 130 billion until 2014, additional to the amounts committed in the first financing programme.

[1] OJ L 209, 2.8.1997, p. 1.
[2] Maintained for 2012 by Council Decision 2012/238/EU of 26 April 2012 on guidelines for the employment policies of the Member States (OJ L 119, 4.5.2012, p. 47).
[3] OJ C 213, 20.7.2011, p. 12.

(10) The release of the tranches is based on compliance with quantitative performance criteria and a positive evaluation of progress made with respect to the policy criteria laid down in Council Decision 2011/734/EU of 12 July 2011 addressed to Greece with a view to reinforcing and deepening fiscal surveillance and giving notice to Greece to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit [1] (as amended on 8 November 2011 [2] and 13 March 2012 [3]) and the Memorandum of Understanding on Specific Economic Policy Conditionality, which was signed on 14 March 2012.

(11) On 19 March 2012, the first instalment (EUR 5,9 billion) of the first tranche (EUR 14,5 billion) of the new financing programme was paid by the European Financial Stability Facility (EFSF) to Greece. Greece also received EUR 1,6 billion from the International Monetary Fund (IMF). By May 2012, Greece had received EUR 147,5 billion from official financing under the first and second programmes.

(12) In 2010 and 2011, Greece made partial progress towards the ambitious objectives of the adjustment programme. Several factors hampered implementation: political instability, social unrest and issues of administrative capacity and, more fundamentally, a recession that was much deeper than had been previously projected. Important fiscal targets were missed, which led to the adoption of additional consolidation measures throughout 2010 and 2011. However, Greece achieved a substantial reduction in the general government deficit: from 15,8 % of GDP in 2009 to 9,1 % in 2011.

(13) On 18 April 2012, the Commission adopted a communication on 'Growth for Greece' highlighting the positive impact that full and effective implementation of the economic adjustment programme can have by laying the foundations for growth, investment and social renewal. This Communication recalls that Greece can draw strength and concrete support from its membership of the Union and of the euro area. It underlines that the reforms set out in the second economic adjustment programme are designed to restore the growth and job creation potential of the Greek economy and to create a more equitable society. It outlines the extensive financial support being made available to Greece and emphasises the readiness of Greece's partners, and in particular the Commission, to identify ways to maximise the impact of early deliverables through swift actions and EU support.

(14) The economic crisis and subsequent fiscal consolidation measures have had an impact on the ability of Greece to achieve the Europe 2020 goals, especially the socially oriented ones. Nevertheless, the structural reforms, particularly those in the labour market, the liberalisation of several sectors and a number of measures to improve the business environment, will help promote competition, spur productivity, increase employment and reduce production costs, thus contributing to an increase in employment and limiting poverty and social exclusion in the medium term. Despite the economic crisis, Greece has continued to work towards achieving the environmental goals of Europe 2020.

(15) A strategic re-programming of the Structural Funds is underway, with a focus on support to youth employment and competitiveness (in particular small and medium-sized enterprises (SMEs)). The new measures strengthen actions in the areas of employment passport, training and professional qualifications and access to finance for SMEs.

(16) Greece has made a number of commitments under the Euro Plus Pact. The commitments, and the implementation of the commitments presented in 2011, relate to fostering employment, improving competitiveness, enhancing sustainability of public finances and reinforcing financial stability,

HEREBY RECOMMENDS that Greece:

Implement the measures laid down in Decision 2011/734/EU, as amended on 8 November 2011 and 13 March 2012, and the Memorandum of Understanding on Specific Economic Policy Conditionality, which was signed on 14 March 2012.

Done at Brussels, 10 July 2012.

For the Council
The President
V. SHIARLY

[1] OJ L 296, 15.11.2011, p. 38.
[2] OJ L 320, 3.12.2011, p. 28.
[3] OJ L 113, 25.4.2012, p. 8.