



HELLENIC REPUBLIC

# Greece: A Growth Strategy for the Future

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# A Holistic Growth Strategy

A holistic growth strategy means one in which the whole constitutes more than the sum of the parts. Greece has never had such a strategy with the result that its anarchic development model collapsed with the crisis that began in 2009.

However, the writing was on the wall well before that. As Greece entered the period of globalization in the 1980s, it faced deindustrialization, acute social inequalities and severe regional imbalances as tariff and non-tariff barriers were steadily reduced. With entry into the euro, Greece lost its usual policy of last resort – devaluation. A development model that relied, in the main, on large infrastructural projects and cheap credit was hardly likely to reverse the above dynamics, let alone address the economy's long-standing productivity deficit. For a time, the balance of payments problem was hidden by capital inflows from remittances, shipping, tourism, private capital, and European structural funds. Rising fiscal deficits, and a large debt, were the result of successive governments' attempts to attenuate the consequences of a skewed model of development, combined with poor fiscal management and control. It is for these reasons that Greece entered the crisis with severe internal and external imbalances.

Part of the problem was that Greece lacked a thinking capacity at the national, regional and local level to be able to respond to these challenges. In such circumstances, there was a never concerted attempt to develop a growth strategy to mobilize both the private and public sector, to build on Greece's highly educated human resources, and to ensure that the high -if unsustainable as it turned out- growth could be spread to all social classes and all regions. What responses were attempted, foundered on a clientelistic political system, a bureaucratic public sector with little capacity, or inclination to restructure SOEs and make use of other public - sector assets, and a private sector geared more to exploiting its contacts with the state than in seeking new markets and products, reorganizing production or investing in R&D. Moreover, poor wages, widespread tax evasion and corruption, allowed for plentiful opportunities for profits to be made without such initiatives.

The present holistic strategy seeks to address some of these shortfalls and integrates the holistic and sustainable way of planning and thinking set out in the UN Sustainable Development Goals (SDGs).

In a very short period of time, Greece has implemented an incredibly large number of reforms, of unprecedented breadth, and under extremely adverse conditions. These efforts were made across the board: pension and tax reforms, justice and corruption, product and labour markets, public investment, infrastructure and privatization, as well as education, social policy, energy and environmental policy. Greece also rapidly achieved large fiscal surpluses and reduced its trade deficit. Some reforms have been completed, while others that are in the process of implementation or that need further deepening, are included in the present holistic strategy.

The holistic growth strategy aims at reversing Greece's deindustrialization and, building on recent reforms, restore productivity growth and competitiveness.

- In part this will be achieved by focusing on key innovative and high value-added tradable sectors and developing a strong culture of socially and environmentally responsible entrepreneurship and dynamic SME networks. Another element of the strategy is to plan for the digital age, use innovation and benefit from the potential of the IoT and Big Data. At the same time, we will build on our skilled workforce to raise the potential of sectors of the Greek economy: transport and logistics, energy, circular economy, agri-food, manufacturing, shipping, pharmaceutical sector, health and environment, tourism and culture. Greece will capitalize on its comparative advantage and foster the development of clusters, helping its firms grow and innovate, to allow its economy to expand the domestic market and secure larger shares in international markets, while attracting significant foreign investment.

- However, our intention is also to mobilize the cooperative and social sectors of the economy, and support the shift towards sustainable production and consumption patterns. While increasing the size of Greece's SMEs is an important priority, Greek manufacturing, not to mention agriculture, will always have a substantial number of smaller units that can benefit from cooperative ventures in production, in distribution and marketing, in R&D etc.

- The strategy will ensure the provision of key infrastructures while investing in Greece's tremendous human capital. Upgrading our transport, digital and energy infrastructure will provide the economy with the necessary backbone to grow, taking advantage of our country's strategic geographic positioning and large European funding. Greece also enjoys an abundance of high-skilled but underutilized labour, and as knowledge has become one of the largest drivers of growth, investments in an already impressive human capital stock will pave the way for embarking on a sustainable growth path.

The above approach has benefited from the input of the "Regional Conferences on Productive Reconstruction" that were held in the second half of 2017 and the first months of 2018. These conferences also made clear the importance of developing a thinking capacity not only as an input but as a precondition of success in the implementation stage. A thinking capacity needs:

- Continuation and reinforcement of reforms with appropriate evaluation of their impact. This will take into account relevant assessments carried out by the European Commission, the European Court of Auditors (ECA), etc. Reforms will continue to benefit from technical assistance to ensure convergence with best European practices.

- Legal Framework. Three key areas that have been delineated for our purposes are the reform of the public administration and the judicial system as well as the business environment. Work here will build on the reforms already carried. But even here a thinking capacity and cooperation across areas is of paramount importance. To take just one example reducing our stock of NPLs relies on progress in all three areas.

- Institution-building. Apart from the legal framework, we need to address our deficit with respect to institutions. The HFSF, HCAP, The Hellenic Foundation for Research and Innovation, the Industrial and Business Policy Coordination Council, the Systemic Banks, the proposed Hellenic Development Bank, the Regional Conferences on Productive Reconstruction, the Health Technology Assessment Organization and the National Central Authority for Health Procurements, the creation of the Labour Market Needs Identification Mechanism and the National Social Solidarity System (NSSS) etc., all have a role in the design and implementation of growth-friendly policies. The improved governance structure that has been promoted within these institutions over the past few years should be a considerable asset in this venture.

- Coordination. Successful development depends not only focusing on individual units but on overcoming bottlenecks, addressing coordination failures, seeking out synergies: between the private, and public and social sectors; between all form of production and the education system and research institutes.

A holistic growth strategy would not be holistic if it did not incorporate a social pillar. The question is not only one of social justice - it is certainly that - but also developmental: as stated above, poor wages and a lack of rights entail, in effect, an implicit subsidy to poor and non-innovative employers and is, thereby, incompatible with the shift in the productive model of our growth strategy.

The Greek people suffered a deep and painful social crisis. They witnessed a steep fall in their income and living standards, extremely high unemployment, often for prolonged periods of time, while a significant number felt compelled to emigrate, thus adding to the country's demographic problem. Poverty markedly increased, most notably among children and young people. The decade of recession widened income, social and regional inequalities, swelling the ranks of those in need of assistance. Any sustainable growth strategy will need to address these inequalities and ensure inclusive growth. A first step in this direction will be to design the gradual increase of the minimum wage, compatible with the needs of the real economy.

Greece's success depends on its ability to lay out a fair, inclusive and sustainable economic model, where all equally share the benefits of growth. As a result, effective social protection, inclusive education, meaningful employment, active labour training policies, and an improved environment for innovation are at the heart of the growth strategy. They are of crucial importance, to tackle the risk of social exclusion and poverty, and to mobilize Greece's skilled but often idle human resources. The strategy seeks to build on the reform momentum to design a modern welfare state and a social safety net that truly targets those in need and ensures that no one is left behind.

## **Introduction**

All in all, the Holistic Growth Strategy lays out our vision for fostering sustainable growth, on strong social and environmental foundations. It presents the domestic and external commitments that will allow Greece to achieve a successful exit from the era of adjustment.

A new and very promising era lies ahead for Greece and for those who will trust and invest in our country. The sacrifices of the Greek people were tremendous, as were the achievements of recent years. These difficulties, however, have made us more resilient and more determined than ever to build a modern and strong Greece.



# 1. Ensuring Fiscal Sustainability

## 1.1. Macroeconomic and Fiscal Projections

After eight years of economic depression and a decline of GDP by 27%, Greece has returned to solid economic growth, complemented by a strong track-record of fiscal budgetary outcomes. The main objectives moving forward will be macroeconomic and fiscal stability, and resilience to external shocks, while taking into account the need for social justice and fairness. Greece recalls its commitment to maintain a primary surplus of 3.5% of GDP until 2022. The key drivers of recovery in 2017 were investment and exports, while growth should accelerate until 2022 driven by investment, private consumption and foreign demand. Private financing conditions will improve and FDI should play an important role. Wage recovery will boost domestic demand, pushing the unemployment rate down.

After several years of economic stagnation and a loss of 27% of GDP, economic recovery is gaining traction. Reforms have started bearing fruit, uncertainty has been dispelled, and there is a credible and clear way forward.

For the first time since 2006, the Greek economy grew for four consecutive quarters, with real GDP growth of 1.4% in 2017 driven by a significant rebound in investment and exports. The labour market situation has improved substantially supporting a moderate but steady growth in household consumption. The unemployment rate fell to 20.8% in December down by 2.6 pp. during

2017, while employment increased by 2.2 pp. on average over the same period.

Greek banks recorded a positive flow of EUR 5.73 bn in 2017 and are also in the process of cleaning up their balance sheets with the view to tackle the large stock of non-performing loans. Overall, the positive economic outlook has contributed to a sustained improvement in consumer and business sentiment and the easing of financing conditions amid a gradual relaxation of capital controls.

Undoubtedly, the most impressive record is in the area of restoring sustainable public finances. Greece has steadily corrected the extreme

imbalances that culminated in the loss of access to capital markets. In the period 2015-2017, the country significantly outperformed its fiscal targets and for the first time since comparable data is available, recorded a general government surplus in 2016 and 2017. General government arrears have gradually declined with the view to fully clear the outstanding stock by the end of the ESM programme. At the same time, fiscal adjustment was coupled with well-targeted social policy actions through utilizing available fiscal space. Looking ahead, Greece is committed to maintain a primary fiscal surplus of 3.5% of GDP until 2022.

In the medium-term, real GDP growth rate is projected to exceed 2% on the back of a marked improvement in investment, household consumption and exports. On the fiscal front, Greece is well on track to meet its primary surplus target of 3.5% of GDP without the need for further fiscal adjustment. To the contrary, fiscal space is expected to emerge once the output gap starts to close and ongoing reforms deliver additional savings. Greece aims to fully utilize the available expenditure ceilings while ensuring the achievement of the agreed fiscal targets. Available fiscal space will be utilised to create a more growth-friendly budget and strengthen social safety nets in an efficient and targeted way. Policy measures will aim to lower the tax burden on firms and employees as well as to implement social welfare policies focusing among others on active labour market policies and measures to alleviate child poverty and to support the formation of human capital.

### Macroeconomic environment

The key drivers of recovery in 2017 were investment (+9.6% y-o-y, at a nearly double rate than projected) and exports (+6.8% y-o-y). Overall, real GDP remained on a positive path throughout the year, both on a quarterly basis and on an annual basis. In the fourth quarter of 2017, real GDP growth peaked at 1.9% compared to the fourth quarter of 2016, the highest rate since the first quarter of 2008. This confirms the stability of the growth outlook, also reflected in the positive carry over effect on 2018.

In the period 2018-2022, projections of the macroeconomic scenario point to accelerated growth dynamics. Real GDP growth in 2018 is expected to reach 2.0% year on year (y-o-y), mainly driven by vigorous investment (+11.1% y-o-y), private consumption's gradual gathering of pace (+0.5% y-o-y) and external tailwinds from foreign demand, which should boost exports (+5.6% y-o-y), supporting robust growth in the manufacturing

and tourism sectors. In 2019, output growth should peak at 2.4% year-on-year, on the back of gains from all components of domestic demand (private consumption: +1.0% y-o-y, public consumption: +0.4% y-o-y, investment: +12.1 y-o-y), as economic sentiment surges and financing through the capital markets is normalized following the conclusion of the ESM programme in August 2018.

In the medium term, the real GDP growth rate is projected to range around +2.1% on average between 2020 and 2022, as private consumption (+1.2% on average) is sustainably supported by labour market growth, public consumption remains marginally positive (+0.4% y-o-y) and investment continues to grow (+7.6% on average), though at a slower pace (on account of base effects). Mirroring the anticipated improvement in financing conditions for the private sector, FDIs should play an important role in investment's boom as foreign investors' confidence rises, underpinned by policy stability, new debt sustainability tools and more growth-friendly fiscal policy in the post-programme era.

Labour market developments have been and should continue to be a key driver of private consumption's resilience throughout the medium-term, despite the fact that the wage rate has rested on negative grounds up to 2016. As of 2018, the average compensation per employee should follow a gradually-accelerating positive course, peaking at a steady 2.4% annual nominal growth rate in 2022 after its first signs of recovery in 2017 (+0.1% y-o-y). In the near term, wage rate's recovery will further boost domestic demand, adding on employment's sustained growth (+1.8% on average in 2018-2019). At the end of the medium-term, employment is expected to grow by 0.7% y-o-y, averaging at an annual growth rate of 1.3% in the period 2018-2022, and pushing the unemployment rate down by 7.2 percentage points against its value of 21.5% in 2017.

### Fiscal policy

The massive fiscal consolidation that has taken place over the past years in Greece was based on various structural and fiscal interventions on the expenditures as well as on the revenues side. By the end of 2018 the estimated interventions will amount to 36.5% of GDP on a cumulative basis (approximately 67 bn € in gross terms from the beginning of the programme in 2010), split into 20% of GDP from expenditures and 16.5% of GDP from revenues. Furthermore, in 2018 on a cumulative basis 54.8% of total interventions stem from the expenditures side and the rest 45.2% from revenues.

From the evolution of primary general government expenditures on a consolidated basis one can see that they decreased in program terms from 47.7% of GDP in 2009 to 42.4% in 2016. This reduction came in effect due to the reduction of the wage bill cost from 11.2% of GDP to 9.2% over this period, the small increase of social benefits from 21.2% of GDP in 2009 to 22.5% in 2016, the reduction of intermediate consumption from 6.9% to 4.8% and the decrease of other expenditures from 8.4% of GDP to 5.9% in 2016.

On the expenditures side the biggest contribution comes from pensions (6.5% of GDP), public sector wage bill (4.8% of GDP), and operating expenses (1.9% of GDP). On the revenues side the most significant contributors are PIT (4% of GDP), excise taxes on consumption (3.2% of GDP), VAT (3.1% of GDP) and property taxation (1.8% of GDP). It should be added that due to the corrective measures included in the 2018-21 MTFs, the aforementioned interventions are estimated to reach 33.7% of GDP on a cumulative basis by 2020, split into 19.3% of GDP on the expenditures side and 14.4% of GDP on the revenues side.

The reform momentum reached its highest pace from 2015 onwards and has been complemented by a strong record of fiscal outcomes for the past three years. In 2015, the primary fiscal balance in programme terms reached 0.7% against a -0.25% target, despite economic contraction. In 2016, the Government significantly overachieved its programme target of 0.5% primary surplus, with an outturn of 3.9%, while recording a flat growth rate. Specifically, 2016 was the first year since at least 1995 (when comparable data are available) in which Greece achieved a positive general government balance at 0.5% of GDP. The strong record of fiscal performance continued in 2017, with the primary surplus reaching 4.2% against a target of 1.75%. The fiscal outturns of the previous years prompted the European Commission to recommend in July 2017 the abrogation of the 2009/415/EC decision on the existence of an excessive deficit in Greece, which

was adopted by the Council in September 2017. Given the strong track record of fiscal performance, current projections indicate that the primary budget surpluses are sustainable in the medium-term without any need for additional fiscal consolidation.

Overachievement of fiscal targets has had positive economic effects. Positive news that Greece can generate large sustainable fiscal surpluses has acted drastically to lower uncertainty domestically and in foreign debt markets. Successive conclusions of programme reviews and large fiscal surpluses resulted in the gradual improvement in sovereign bond yields during the past 2 years, stabilizing at pre-crisis levels. This enabled the government to issue bonds for the first time since 2014 and gradually build the yield curve to prepare the country for a successful conclusion of the programme in August 2018. Liquidity conditions have also improved for financial institutions that are able to issue bonds with lower interest rates, thus facilitating a faster consolidation.

The business environment and investment conditions have also benefited from the positive fiscal outcomes. Positive surprises have contributed to the upgrade of the Greek economy by all credit rating agencies, which maintain a positive outlook. Reports from all agencies focus on the significant fiscal over-performance as a key reason for the upgrade, the sustainability of which will further improve the outlook and will result in further upgrades in months to come. As a result, investment activity in Greece is expected to increase in the next few years, on the back of the positive fiscal news, which will in turn contribute to economic growth.

Lastly, the government is committed to maintain macroeconomic and financial stability, while enhancing the economic resilience to future shocks. In this context, we commit to pursue fiscal policies aimed at providing a stable macroeconomic and business environment. At the same time, the fiscal buffer will be enhanced, in the form of a “rainy-day fund” that will be replenished during good times to improve the country’s resilience to future shocks.



## 1.2. Public Finance Reforms and Sustainability

Significant PFM reforms have taken place and they will continue. They include the establishment of a medium-term strategy, improvements in fiscal reporting, strengthening of budget execution mechanisms, enhancing the Parliamentary Budget Office and the Hellenic Fiscal Council, continuing the spending reviews, improving the cash management framework and payment procedures, eliminating arrears, adopting a chart of accounts, introducing performance budgeting and improving the management of state guarantees.

### Public Financial Management

Significant structural PFM reforms have taken place over the past few years, contributing to better fiscal planning and monitoring, and strengthening fiscal data transparency and reliability. The continued implementation of ongoing projects is expected to ensure the attainment of further objectives in both the short and the medium-term, including streamlining the budget process and expenditure controls, clearing arrears, and strengthening budget reporting and cash management.

Notably, a medium term fiscal strategy (MTFS) has been established with a time horizon of 4 years (including the budget year), providing an overview of the government's economic policy with an emphasis on fiscal planning. Furthermore, important reforms have been implemented to improve fiscal reporting and strengthening monitoring mechanisms of the budget execution of general government entities.

Greece has also assigned a major role to independent national fiscal institutions including the Parliamentary Budget Office and the Hellenic Fiscal Council in order to safeguard transparency and reliability. Moreover, the implementation of spending reviews has contributed towards the realization of fiscal savings or the re-allocation of spending from relatively inefficient/low priority areas towards strengthening social protection or reducing the citizens' tax burden. Such re-allocation has been incorporated in the 2018 Budget towards the support of low-income families with dependent children, while the possibilities for a further rationalization of spending are expected to increase as spending reviews will be conducted on a regular basis from the current year onwards.

The cash management framework has also improved significantly with approximately 2,000 accounts of the State in commercial banks closed down in the period 2014-16 and their reserves transferred to the Single Treasury Account. As far as the Central and General Government entities

are concerned, most of their balances have been transferred to the Bank of Greece. These measures have led to a substantial increase in the GG liquidity that the State can access, as well as to a more efficient liquidity management that reduces the financing needs of the State. Further reforms of the cash management framework include the new legal framework for the operation of the TSA, the closer monitoring of entities' balances, the introduction of regular cash flow forecasting by the largest General Government entities and the release of grants to entities through their cash management accounts in the BoG. The medium-term objective is the transfer of entities' cash balances directly with the TSA, which is estimated to be concluded by December 2021.

A major reform underway is the new Chart of Accounts with the objective of common implementation for all general government entities, replacing the five different charts of accounts currently in place for the State, pension funds, hospitals, LGs and public law entities. The adoption of the new Chart of Accounts will enhance the transparency of fiscal reports and financial statements, while the use of a single economic classification for both budgeting and accounting purposes will make the information more intelligible to all interested parties by providing a common point of reference. The new Chart of Accounts will be used for the 2019 State Budget, while the next steps of the reform include the drafting of comprehensive accounting rules and the expansion of the Chart of Accounts to all General Government entities by January 1st, 2023.

General Government arrears have been significantly reduced through ESM financing in the context of the arrears clearance programme, but further work is required for their full elimination, as well as for addressing the structural causes for their accumulation. In this context, the findings and recommendations of the independent audit conducted by the HCA will be assessed and implemented, while the follow-up to the audit will be used to ensure that structural problems will be

addressed.

The full implementation of the still ongoing reforms, especially the ones related to the Chart of Accounts and the TSA, will require increases in the staff dedicated to these undertakings. Such a course of action will be pursued taking into account GAO's resources and within the limits imposed by the overall planning for recruitments in the public sector.

### Public procurement

Thanks to a wide range of reforms, significant progress has been made toward a more transparent, cost efficient and business-friendly public procurement system. Law 4412/2016 and the operation of the National e-Procurement System have led to significant cost savings – over 19% in 2017 alone for e-Procurement alone. The integration of public works in e-procurement has been completed. The centralization of public procurement was initiated in 2017 and will be expanded in 2018. A far-reaching National Strategy on Public Procurement was adopted in 2016 and is currently being implemented.

However, an even more ambitious approach is envisaged. Particular emphasis will be placed on the following objectives:

- SMEs access to public procurement in Greece and the Single Market should be improved, by using the tools provided by EU law. Consultation with key stakeholders is also required, to ensure a viable strategy going forward.
- Public procurement should act as an engine for innovation. To this end, the Ministry of Economy is a partner in the EU Procure2Innovate Project, in the

context of the European network of competence centres for innovation procurement. The main policy objective is the creation of a national competence centre by 2021.

- Green public procurement is also a key component of this approach. Greece is participating in the GRASPINNO programme which runs through 2019 and will provide green procurement solutions for energy efficiency public buildings. This capacity-building project is part of a wider green procurement strategy which is currently being prepared by an interministerial committee.

- Public procurement, especially for contracts worth over 60,000 euros, should be further digitized. The Ministry of Economy is currently cooperating with the Austrian government to develop an e-catalogues system which should contribute decisively to economies of scale and improved planning. E-invoicing will also become operational in 2019. The next step after that will be the introduction of e-payments in 2022, in cooperation with the Ministry of Finance.

- Public procurement should also be further centralized. Savings targets start at 5% for 2018 and should reach 15% in 2022.

The overarching objective of these policies is to have Greece move from the third to the first tier of the Single Market Scoreboard on Public Procurement by 2022. In order to achieve this goal, the National Strategy on Public Procurement will be updated and monitored by the political and technical committees set up by the Government Council of Economic Policy on January 20, 2017. Progress reports will be submitted to the Council and the competent Ministries every six months.

## 1.3. Tax Policy and Tax Administration

In the context of the Growth Strategy, taxation policy will be instrumental in attracting productive investments and enhancing productivity, through a gradual reduction of the tax wedge to both firms and labour and through the establishment of a steady taxation regime, to foster foreign and local investments. The gradual reduction of the tax wedge will facilitate investments in export-oriented sectors of the economy and will lead to job creation with several macroeconomic and fiscal benefits. Lower corporate taxation will have a direct effect in firms' profitability and will aim at assisting domestic firms and attracting foreign direct investments. A gradual reduction of taxation, supplemented by productivity and investment incentives for labour and firms respectively, is inversely proportional to future economic growth.

### 1.3.1. Tax Policy

Taxation policy will help attract productive investments through a reduction of the tax wedge to both firms and labour, which will facilitate investments, improve profitability, attract FDI and create jobs. Furthermore, key interventions in the field of creating a stable, predictable and solid taxation system will further boost IAPRs and result in important economic externalities. Indicatively, the Greek government has activated through IAPR, procedures for the conclusion of specific taxation agreements such as Advanced Pricing Agreements (APAs). Such an option was used for Trans Adriatic Pipeline (TAP) ensuring a stable tax regime for investors. Other strategic orientations may include specific tax alleviation regimes for company investment in frontline environmental and climate-friendly R&I and technology.

The reduction of the tax wedge, without putting at risk fiscal sustainability, requires reforms for the improvement of the operation and effectiveness of the fiscal administration in order to increase the tax base and combat tax avoidance.

#### **Increasing the tax base and combating tax avoidance**

Tax policy is one of the main tools available to governments to preserve fiscal stability and to strengthen growth. Past malfunctions in tax governance have had a negative impact on public revenues, and in recent years the reform effort focused on simplifying the tax system and aligning it on best European practices. There were significant reforms to the Personal Income Tax Code or to the Tax Code Procedures - introduction of a single tax scale for natural persons and the simplification of the procedure for imposing fines. An Independent Authority of the Public Revenue was established to

ensure the independence of the Tax Administration (Law 4389/2016). Tax reforms, will be implemented and appropriately adapted taking into account the need to strengthen the tax system's fairness and the public revenues collectability.

The greatest challenge in the coming years is to create a stable, growth- and investment-friendly tax system that will be fair, simple and effective. It should ensure a reduction of the tax burden on businesses and citizens, which increased in recent years as a result of the large fiscal adjustment, provided that the fiscal space is sufficient to finance such measures. These reductions –alongside with the system's simplification- will help the tax system to become sustainable and appropriately balanced.

To address this critical challenge, the government has set as strategic goals the full implementation of legislated reforms and the adoption of new tools to tackle tax avoidance. The total tax rate in Greece is relatively high compared to countries of similar competitiveness levels, although not excessive on a European scale. Its gradual reduction is a key objective to strengthen the competitiveness of Greek enterprises.

The tax reform strategy consists of the following key actions:

- Exploiting the assets registry. In 2018, legislative action was taken to complete and amend Law 3842/2010. The pricelist will serve to check taxpayer's asset declaration and help reduce tax evasion. It will allow the fiscal burden to be allocated on the basis of objective income, property ownership and social criteria, in combination with tax-free limits.

- Extending the use of electronic payments, through regulatory decisions and incentives for taxpayers (e.g. lottery). According to the Bank of Greece, the use of electronic payments is steadily

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rising. The number of transactions by payment cards increased by 35% to 513 million in 2016, while the value of transactions increased by 4% to reach 55 B EUR. The use of digital payments increases public revenue (VAT and income tax) and improves tax compliance.

- Widening the tax base and combating tax evasion, for instance through taxation of short-term real estate leases through electronic platforms such as Airbnb.

- Cross-checking of tax statements and bank accounts to deal with large tax evasion cases.

- Fighting fuel and tobacco smuggling. Law 4410/2016 has been implemented, as it provides for: a) significant changes to the Customs Code to strengthen the fight against illicit trafficking of tobacco products; b) the establishment of a

Coordination Centre to promote the effective cooperation between law enforcement authorities that fight the smuggling of products subject to Special Consumption Tax. This effort will be extended to the fuel sector.

- Integrating the OECD's Base Erosion and Profit Shifting measures (BEPS) into Greek legislation to combat tax evasion of large enterprises.

- Providing tax incentives for businesses through the new Development Law and the law for Strategic Investments.

- Ensuring fair arrangements for state borrowers through the out-of-court workout which contributes significantly to the consolidation of viable businesses.

- Adjusting the "ENFIA" property tax through the equation of commercial-objective values. This adjustment will make sustainable, in the long run the revenue (€ 2.65 bn). It will lead to a fair distribution of the real estate tax burden. In addition, this adjustment will align the Greek State with the court decisions of the CoS, eliminating the relevant judicial disputes. A permanent valuation mechanism will be created to make regular future updates of tax values (incl. for business properties) and further improvements in the system of property tax values to bring these values closer to actual market values of individual properties.

**1.3.2. Tax Administration**

Beyond simplifying tax legislation and improving the procedures for imposing tax penalties, a strong and adequately staffed tax administration is essential.

In the Strategic Plan IAPR 2017-2020, the Independent Authority of Public Revenue (IAPR) has set the following strategic objectives:

- Enhance tax compliance.
- Fight tax evasion and smuggling.
- Facilitate business and commerce.
- Promote an outward-looking, efficient administration, with respect for the citizen.
- Protect the social community.

The new procedures to handle tax audits have already begun: cross-check of declaration and deposits and less bureaucratic work. The new tax system is based on a universal electronic control which identifies a sample of cases suspected of tax evasion, on the basis of objective criteria. In parallel, actions to strengthen intermediate arbitration and settlement procedures have been launched, with clear procedures for punishing offenses such as fines and increased tax rates. They will help limit court appeals and build a stable and investment-friendly fiscal environment.

Moreover, in relation to IAPR, it is worth noting the following:

- Regarding the efficiency of the tax administration and collection process, IAPR is already applying a new Compliance and Collection Strategy Plan, in order to increase tax compliance and revenue collection. This is achieved through communication initiatives and the modernization of audit methods and practices.

- IAPR IT systems are being improved and adjusted to the needs of the tax legislation.

- IAPR has proposed a new, ambitious reform program, which aims to the transformation of the Independent Public Revenue Authority into a modern, flexible and efficient organization over the next three years. It focuses on five areas of intervention: Voluntary Compliance, Enforced Compliance, Human Resources, Technology and Infrastructures.

- Especially regarding revenue collection, IAPR is moving towards the centralization of collection procedures, through the establishment of regional collection centers. Additionally, this reform will be supported by the new, currently under implementation, IT Case Management System that will support automation, centralization and massification of collection procedures.

## 1. Ensuring Fiscal Sustainability

- Regarding the assets registry, IAPR has secured the necessary funding to implement the needed Information System, which will improve the effectiveness of the audit and revenue collections.

- In order to fight tax evasion a new indirect audit technique is introduced, which will define the gross revenue of a company. Also a scheduled update of the data of the bank accounts that IAPR maintains for a certain set of taxpayers will help to locate tax evasion cases for the last years. Furthermore, IAPR will implement a plan regarding Base Erosion Profit Shifting (BEPS). Within the next years actions will be taken towards the adoption and utilization of the advantages of electronic invoicing. Furthermore, IAPR has started designing and implementing an annual audit plan for the past two years, in order to combat tax evasion, in professional fields with a large VAT and income gap for the whole of the Greek territory.

- Regarding staffing, IAPR is in the process of increasing its staff, at least by closing all the vacant positions through hiring and mobility procedures within the next three years. Also, IAPR is adopting modern methods for personnel selection, and

implementing continuous training and annual evaluation human capital procedures. Special emphasis will be given: a) to the development of a new procedure for personnel selection for a sufficient number of well-trained employees according to the needs and requirements of each work field, b) to the application of a modern scorecard based on recent changes to job profiles for all employees and also the design & development of a new payroll system, c) the implementation of a new approach of performance management that focuses on meeting appropriate goals and d) the continuous training through e-learning programs and seminars.

- In the field of the battle against fuel and tobacco smuggling, IAPR co-operated with other public administrations (e.g. Ministry of Development) has introduced a number of projects for collecting and exploiting information received from the fuel input – output systems and also from tobacco trading. An Operational Coordination Centre (SEK) is also established, as a joint inter-agency body aimed at the coordinated action of the administrative control, investigation and prosecution mechanisms to tackle trafficking of excisable goods.

### 1.4. Debt Sustainability

**Debt sustainability is crucial to the success of a holistic growth strategy. What foreign and Greek investors need in the post-programme period is a clear runway in order to invest in a framework of reduced uncertainty. Delaying the political decisions for such a framework can only lead to a postponement of investment decisions. The member states and the institutions have already demonstrated their willingness to implement specific measures to alleviate Greek debt in order to ensure its sustainability. Some short-term debt relief measures were launched at the beginning of 2017 and were completed by the end of the year. Medium-term measures are expected to be implemented at the end of the programme, although their size and scope have yet to be determined. At the same time, a debt crisis response mechanism is being discussed for the longer term. A decisive agreement on debt, together with the fact that Greece has successfully returned to markets and is creating a cash buffer in anticipation of its exit from the programme, will provide the framework that will underpin a new phase of reduced uncertainty.**

On July 12, 2015 the Greek State, following the implementation of a set of prior actions, entered into a three-year financing agreement with the European Stability Mechanism, for a total amount of 86bn euros. Up to this date, 39.4 bn have been disbursed, 5.4bn of which were directed to the recapitalization of two systemic banks - the National Bank of Greece and Piraeus Bank, which took place in December 2015. The debt of the Central Government at the end of 2017 stood at 328,7 bn euros.

### Measures for improving Greece's debt sustainability

The Eurogroup decisions of May 2016 adopted for the first time the Gross Financing Needs ratio to GDP (GFN) as a key performance indicator (KPI) to assess the sustainability of the Greek government debt, both by the European Institutions and by the IMF. According to this criterion, annual gross financing needs should not surpass 15% of Greek GDP in the short term, and 20% in the long term.

In addition, member states and the institutions have demonstrated their willingness to gradually implement a package of specific measures to alleviate Greek debt in order to ensure its sustainability. Short-term debt relief measures were launched at the beginning of 2017 and completed at the end of the year. They comprised the smoothing of maturities of EFSF loans and the reduction of their interest rate risk, as well as the lifting of 2017 margin on the 2012 debt repayment.

An additional package of medium-term measures will be implemented to ensure debt sustainability by the end of the programme, although their size and scope has yet to be determined by the end of the programme. They include the complete elimination

of the 2012 debt repayment margin from 2018, the use of 20% of the 2014 Greek bonds earnings - «ANFA» and «SMP» - to reduce the mixed financial needs, the partial repayment of EFSF loans through the ESM and the further smoothing of maturities of EFSF loans by lengthening their weighted average maturity, stabilizing their interest rates and postponing interest payments.

In the longer term, a debt crisis response mechanism is envisaged, in order to ensure debt sustainability with more aggressive relief measures, in addition to smoothing EFSF loan maturities, as well as further stabilizing interest rates and postponing interest payment so as to meet the annual GFN target.

Finally, the Eurogroup decisions of June 2017 mention the return of Greece to markets by creating a cash buffer, as was the case with the other countries that completed adjustment programmes. The creation of cash reserves will be achieved through both ESM disbursements and new bond issues, such as recent issues of the 5-year bond issue in August 2017 and the 7-year bond issue in February 2018.

Taken together as a package, these measures will reduce uncertainty, increase investment and greatly help the implementation of a holistic growth strategy.



## **2. Fostering** Sustainable Growth

The severe crisis of recent years, which the Greek economy is gradually leaving behind, showed up, among other things, the limits of the production model that prevailed in Greece in recent decades. It is now common knowledge that the crisis of the previous years was not just a fiscal one. First and foremost, it was a crisis of the production model that had been dominant in Greece for over four decades.

In short, an introverted growth model, based on domestic consumption and cheap credit that did not allow the Greek economy to keep abreast of technological and environmental developments and upgrade its position in the global division of labour, while at the same time social and spatial inequalities became remained acute.

In order to turn the page, a holistic growth strategy is needed.

A central axis of our strategy is human capital as a means for steadily improving the Greek economy in terms of creating integrated value chains and the production of products and services with higher added value.

The central goal is to increase employment by offering not just more, but better jobs, with special emphasis on incorporating human resources – and specialized human resources in particular – into the economy, reversing the migration trend and limiting further reduction in the country's population.

The basic means for achieving the strategy's goals are increasing investments, including foreign direct investments (FDI), in combination with the implementation of actions for dealing with unemployment, structural reforms that contribute towards improving the economic environment, including digitization and operational upgrading of public administration.

Decisive factors in the success of the growth strategy include comprehensive planning, cohesive coordination and effective implementation of specific policies, and pursuit of the broadest possible consensus on its key goals – particularly in the current state of affairs, when any attempt to change the growth model renders imperative the creation of new comparative advantages for the Greek economy.

## 2.1. Creating More and Better Jobs

Labour market institutions, before and during the crisis, were not able to absorb the changes in the labour market and did not manage to effectively contain rising unemployment and poverty. The existing labour market framework has reached its limits. Chief priorities for the design of tomorrow's labour market institutions are the elimination of undeclared work, the creation of more and better jobs, the promotion of effective social dialogue, and the protection of the unemployed. To these aims, further efforts will be centred on reducing job informality and precariousness. Also, given the improving conditions of the Greek economy and labour market, it seems timely that an increase in the level of the minimum wage can be carefully examined. The new level of the minimum wage will be determined through a comprehensive impact assessment, in line with the existing legal framework. Regarding collective bargaining, the extension principle and the favourability principle will be restored. Finally, ALMPs will be strengthened to facilitate the return of the unemployed to productive work.

During the recession years, the main means to boost competitiveness and growth has been internal devaluation, based on the containment of labour costs. As a result, real annual salaries decreased by 18% and part-time work rose by 28%. However, the said policies did not manage to effectively contain rising unemployment, which reached 27% overall and over 50% among the youth. At the same time, job quality also declined and in 2015 it was one of the lowest among the EU Member States. Finally, part of the highly educated labour force left the country, jeopardizing economic sustainability.

Social cohesion and inclusiveness, however, are a precondition for sustainable economic growth. In the past three years, policies to alleviate income inequality were introduced, to reverse the impact of the economic crisis and strengthen the safety net of the employed and non-employed alike. Meanwhile, sustainable and inclusive growth requires a fair and well-functioning labour market, which creates more and better jobs, and enhances the well-being of its participants.

Tomorrow's labour market design should be decided by means of a holistic approach. Chief priorities are the fight against unemployment through the creation of good, meaningful and well-paid jobs, the elimination of undeclared work, the promotion of effective social dialogue, and the protection of the unemployed.

### **Combating Informal Work and Precariousness**

Undeclared work is associated with lower-quality jobs and a distortion in competition among

firms, ultimately detrimental to growth. Meanwhile, undeclared jobs are characterized by worse working conditions, lower health and safety requirements, lower incomes and an absence of social security. In sum, undeclared jobs work against the goals of sustainable and inclusive growth with good and well-paid jobs.

Undeclared work fell to around 10% in high-risk sectors, from 30% in 2013. This significant reduction was achieved through the introduction of new rules and a crucial upgrade of the relevant IT systems. Furthermore, in January 2017, the implementation of a 3-year action plan for tackling undeclared work was initiated. It lays out a balanced regulatory and policy framework comprising preventive and corrective measures to facilitate the transition of informal workers to the formal economy and tackle undeclared work. Some of the landmark actions mentioned in it, are the creation of a new set of rules in order to fight bogus self-employment, as well as the introduction of SEPE inspections in the agricultural sector. The upgrade of SEPE's IT system, including new interoperability schemes and constantly updated risk-analysis rules, will also help to tackle under-declared work. This new set of rules and procedures aims to improve the relationship between the Labour Inspectorate Body and the general public. The Labour Inspectorate will no longer have a strictly punitive role, but it will also help create formal jobs. These actions aim to lower undeclared work to 5% by 2021.

The expansion of formal jobs is associated with a similar improvement in job quality. Good jobs contribute to the fight against income inequality and foster labour productivity growth, while they improve



social protection. Law 4488/2017 and law 4554/2018 are a first step in this direction, as they include provisions protecting employees from undeclared, under-declared or unpaid work, and sets strict rules on working time and wage payment. Institutional reforms are being implemented to expand the share of formal jobs, such as the introduction of a new fine structure for undeclared work. A programme to support precarious workers has also been developed, and it will be financed through European Structural Funds. It will improve the adaptability of workers to changes in the country's production model.

These policies will not only promote fair and sustainable growth, but they will also contribute to a well-functioning and sustainable social insurance system.

### Minimum Wage Determination

Workers in Greece have experienced large declines in earnings, driven to a certain extent from the 2012 reduction in the minimum wage. This policy has now reached its limits, and its secondary impact on the earnings distribution -the increase in low pay incidence (from 13% to 18%), in the share of workers at-risk-of-poverty (from 18.7% to 21.2%) and in severe material deprivation among employed people (from 7.7% to 14.6%)-, needs to be addressed. This will help enhance workforce motivation and contain the migration of young and well-educated Greeks to other EU countries.

The level of the minimum wage can be an effective policy instrument to raise productivity and improve long-term economic development prospects. The current minimum wage determination framework gives a central role to social partners and a decisive role to the state. Given the improving conditions of the Greek economy and labour market, it seems timely that an increase in the level of the minimum wage can be carefully examined. The new level of the minimum wage will be determined through the recently improved system, which requires a comprehensive impact assessment to predict the reaction of labour market actors and the effects on sustainable and inclusive growth. This impact assessment will be delivered by independent experts, after consultation with the social partners and the relevant implementing bodies. Changes in the minimum wage level will take into account the developments in productivity and competitiveness, as well as the overall unemployment, youth unemployment and the prevailing wage levels.

### Collective Bargaining Agreements

With regard to collective bargaining agreements, two fundamental principles will be restored with the conclusion of the Economic Adjustment Programme: the extension principle and the favourability principle. Together with the recent collective bargaining agreements which also include non-wage elements (e.g. health and safety issues, undeclared work, vocational training), the revival of these principles will foster the quality and effectiveness of social dialogue.

These complementary and mutually enhancing principles will lead to a restoration of collective bargaining in Greece with positive outcomes for employees and employers, reinforced by the higher coordination induced by the minimum wage determination framework. First, reinstating these principles will reverse the power imbalance in the employment relationship caused by recent policies. Second, it will foster social dialogue and incentivize firms and employees to participate in collective bargaining. Third, it will unify rules and promote healthy competition in all economic sectors. Finally, it will serve to reduce income inequality and achieve a fairer distribution of national income. These positive outcomes will stimulate economic growth and, ultimately, enable the creation of more and better jobs.

Recent changes in the mediation and arbitration procedure, as well as the changes in the composition of the arbitration body, strengthen the independence of the institution and social dialogue procedures. At the same time, empirical evidence suggest that trade unions have been so far cautious in using the amended procedures. Taking into account that the system of arbitration was reviewed recently, a report concerning the role of arbitration in collective bargaining has been finalized in March 2018. Proposed changes were discussed with the social partners and were captured in recent legislation, with a view always to enhance social dialogue and promote collective autonomy.

### Facilitating the Return to Employment

The protection of the unemployed and their return to productive work are also important priorities, in addition to protecting the rights and satisfying the needs of working people. Unemployment reached a peak in 2013 at 27.8%, and although it has fallen to 20%, policies are necessary in order to address

persistent high levels of long-term and youth unemployment. Unless timely support is provided to these groups, we risk marginalizing some of the most vulnerable segments of the population.

As a first step, the unemployment benefit system needs to be redesigned, taking into account poverty indicators and the level of the minimum wage. The evaluation of the current unemployment benefit system and the proposals for its new architecture will be made by a committee. This committee will include participants from the Ministry of Labour, OAED and social partners, as well as labour market experts.

The recent establishment of the Labour Market Needs Identification Mechanism is a crucial reform, allowing policymakers to examine some characteristics of the unemployed, as well as labour market trends at the sectoral and regional level. The next steps include the upgrading of the information system, to allow the real time forecasting of labour market mismatches and trends, as well as the evaluation of future needs. The results will inform employment and Active Labour Market Policies (ALMPs), at the national and regional levels. New public work programmes will focus on specific areas with a socio-economic footprint. An example of this new set of ALMPs' design is the programme for forest protection that will be implemented in May 2018.

Another important action that has taken place in the recent years is the reorganisation of OAED, aiming at improving its efficiency and quality of services delivered. Remaining actions include strategic planning, simplification and automation of key processes, human resource management and development, corporate communications planning and digital strategy development. The establishment of an updated public administration system, focused on the improvement of provided services is the backbone of this new OAED governance approach.

An institutional reform to the functioning of ALMPs is also underway, aiming to the switchover to an open framework set of ALMPs. It is focused on programme

design and on making significant changes to delivery mechanisms. The new employment scheme replaces ad hoc management of ALMPs by a more systemic approach. The new ALMP model includes the following elements:

- A shift towards a new ALMP delivery model offering a menu of ALMPs to the unemployed on a continuous basis.
- Stronger counselling to the unemployed, which includes profiling, to support, assess, and direct them to the appropriate alternatives.
- Enhanced program information systems, which improve planning, supervision and monitoring, and better utilize labour market information to inform both design and implementation.

A pilot programme based on the open framework logic will be activated in the coming months.

Prompt activation of the long term-unemployed is a precondition for inclusive growth. In line with European Commission's New Skills Agenda for Europe, an Action plan for human capital development will be implemented by June 2018. The goals and key principles of the new system's organization include:

- Linking training programmes to the country's growth potential through the Labour Market Needs Identification Mechanism.
- Exploring the possibility of increasing the number of training institutions involved such as universities.
- Ensuring the quality of the entire system: trainers, curricula, training material, infrastructure, assessment and certification processes.

In line with the above, the system of training will be revised. The upgraded system will move away from horizontal training programmes to more individual based curricula. At the same time, a quality protocol for the programmes will be introduced.

## 2.2. Enhancing productivity

### 2.2.1. Supporting Key Sectors

The Government has identified the key sectors it seeks to develop: transport and logistics, energy, agri-food, manufacturing, shipping, pharmaceutical sector, health, circular economy and sustainable natural resources management, tourism and culture. The country needs an investment boom that will be directed to ecologically sustainable, competitive and socially fair economic activities and sectors. This strategy's objectives are increasing our economy's extroversion, accelerating the technological upgrade of businesses, increasing the value-added of goods and services and supporting SMEs to help them grow and integrate into global value chains. As part of this growth strategy, sectoral strategies and policies conducive to the above are being developed for all priority sectors.

The Government has identified the key sectors it seeks to develop: transport and logistics, energy, agri-food, manufacturing, shipping, pharmaceutical sector, health, circular economy and sustainable natural resources management, tourism and culture. These reflect important sectors of the Greek economy and sectors in which the country has a comparative advantage. Horizontal digitalization and the widespread use of innovation and digital technologies, together with the country's skilled workforce, will raise the potential of these priority sectors.

The allocation and nature of investment before the crisis, despite its relatively high levels, was extremely inefficient. Approximately 50% of investments were directed to housing construction and non-tradable sectors of the economy.

The structural transformation of the Greek economy is crucial. The country needs an investment boom that will be directed to ecologically sustainable, competitive and socially fair economic activities and sectors, embedding the relevant SDG targets.

This strategy's objectives are:

- Increasing our economy's extroversion and giving priority to tradable sectors with the potential to penetrate international markets.
- Accelerating the technological and knowledge content of businesses, addressing the challenges of the 4th industrial revolution.
- Increasing the value-added of goods and services.
- Supporting SMEs to help them grow, including through partnerships, mergers and integration into global value chains.

A detailed analysis of individual sectors is not in the scope of this text. However, we refer to indicative initiatives to support businesses, based on the country's current investment strategy. Analyses of the country's comparative advantages by sector and corresponding strategies to enhance them have been elaborated and their recommendations are already being implemented.

#### 2.2.1.1. Stimulating Interconnections

##### Public-Private Cooperation: The Industry Forum Initiative

In 2016 the Ministry of Economy, Development and Tourism, established the «Industrial and Business Policy Coordination Council - Industry Forum», which operates under the supervision of the Ministry's General Secretariat of Industry.

The goal of the Industry Forum is to coordinate the country's economic, social and productive partners relevant to industrial policy. It serves a key supportive and consultative role for the preparation, formulation and submission of policy proposals and positions to the state, with a view to participating in the recovery and development of manufacturing and business activities.

The Forum proposed policies to improve production and productivity, to rationalize public spending on development projects, to apply modern practices and methods to issues related to entrepreneurship, innovation, competitiveness,

cooperation and internationalization of enterprises, as well as on alternative financing tools. It has also incorporated European policies, initiatives and actions to strengthen industry and SME competitiveness in its proposals, as well as the use of European financial instruments such as COSME, HORIZON 2020 and the programmes of EIB, EIF, EBRD and EFSI.

In April 2016, the Forum's conclusions and industrial policy proposals were submitted to the Government Council for Economic Policy (KYSOIP) and adopted. Important institutional reforms and initiatives have benefited from the proposals of the Forum's working groups.

From the Forum's proposals, two flagship actions have been implemented: The Action Plan for the development of the domestic pharmaceutical industry and the cross-sector plan on agri-Food, Industry and Tourism. They are discussed below.

### **Sectoral Action Plan: Pharmaceutical Industry**

In collaboration with the relevant stakeholders an action plan was agreed, spread across six action lines. Launched in September 2016, it is the key reference framework for the effective implementation of policies aimed at developing and strengthening the competitiveness of the domestic pharmaceutical industry. It seeks to address existing problems and to highlight the industry's opportunities.

The actions that have been implemented concern the activities of firms in the field of clinical studies, the creation of an Innovation Hub to support research and innovation in the sector, communication on cooperation opportunities with research institutions, or the promotion of innovative pharmaceutical products and herbal medicines.

### **Sectoral Linkages: Connecting Agribusiness, Industry and Tourism**

The agricultural sector and food industry, tourism and cultural sectors constitute activities with important comparative advantages. Greek products are varied and of high-quality, and tourism builds on Greek regions' natural beauty, environment and cultural wealth. The Government aims at increasing synergies and cooperation between these activities as well as between this complex and other important sectors, such as construction or medical tourism.

In September 2016, the Agriculture, Tourism and Industry Forum was created as a tool to support the formulation and submission of proposals that link tourism with agriculture and manufacturing.

In January 2017, the working groups submitted their assessment of the current situation, identifying priorities of the needs of enterprises. In January 2018, they submitted an Action Plan, which includes proposals for a series of actions - institutional, administrative and organizational. It recommended setting up a central structure, a legal entity of private law - to oversee the plan's implementation.

**2.2.1.2. Agri – Food sector**

The Greek government foresees that the agri-food sector will play a major role in the new growth model. Our vision is to develop the agri-food sector so that it contributes to growth and competitiveness under conditions of a) sustainable production of healthy and safe food, b) increasing employment opportunities and c) reduction of economic, social and spatial inequalities. In order for such an expectation to be fulfilled, challenges related to both structural changes and demand transformation on agri-food products need to be faced. The government has already articulated its national strategic plan for the agri-food sector based on these two axes. This plan includes the adequate strategic mapping of operational targets that will contribute to the continuation of the successful absorption of funds that took place the previous years.

The agri-food sector will play a major role in the new growth model. Our strategy is aimed at unlocking the unexploited comparative advantages and capacities of the Greek agri-food sector. In order for such a development to take place, two crucial challenges should be faced:

The first challenge is structural and concerns the updated Multiannual Financial Framework (MFF) and the CAP budget as well as the proposed policy changes in the post 2020 CAP. These developments introduce, amongst other, a new delivery model in the frame of a national strategic plan that has to be submitted by each member state.

The second challenge is associated with the significant opportunities arising from the increasing demand for agricultural products both within the EU and on international markets. Similarly, the demand for high-quality, certified and safely produced products, as well as for environmentally friendly, organic, PDO and PGI agricultural products will be also increasing.

The first challenge requires strong planning, policy targeting and optimal use of EU/CAP funds. The second requires proper preparation for an enhanced and competitive presence on international markets.


**Strategic goals and operational priorities**

Our vision is to develop the agri-food sector so that it contributes to growth and competitiveness, under conditions of a) sustainable production of healthy and safe food, b) increasing employment opportunities and c) reduction of economic, social and spatial inequalities.

This vision relies on two complementary strategic goals:

- The improvement, in efficiency terms, of the mass production commodity model characterized by low prices and strong competition (in which the terms of competition are unequal for Greek farmers because of the structural weaknesses of Greek agriculture).

- The gradual development of a production model of quality, identity products with higher prices and more favourable terms of market competition. Connected to that is a more systematic articulation with processing, tourism and the rest of the sectors related to the agri-food system as well as integrated rural development.

For the implementation of these strategic goals, the Greek government is mobilizing the institutional and financial framework of the EU for the programming period 2014-2020 together with the corresponding framework of the country (Partnership Agreement for the Development Strategy 2014-2020, CAP and Development Law).

It is estimated that their effectiveness will be further supported by the development, within 2018, of the Financial Instruments proposed by the ex-ante study conducted by EIB. For that purpose, a percentage (3-7%) of the Rural Development Programme funds will be invested in the Fund expected to be set up.

On the basis of the national envelope of CAP (Pillar I) and the Rural Development Programme (RDP) (Pillar II) approximately 19.6 bn € (14.9 of which are direct payments) will be available for the Greek rural economy. Taking into consideration the structure, orientation and available funds of RDP (5.8 bn of public expenditure up to year 2020 of which 4.7 net EU support, plus 1.2 bn expected from private contribution) one can say that it constitutes a very significant tool for the implementation of the required and long standing structural changes/

## 2. Fostering Sustainable Growth

adjustments of Greek agriculture which will lead to the gradual transformation of the production model of agriculture and of rural areas overall.

These strategic goals are structured around the following five operational priorities:

- **Enhancing the competitiveness and productivity of the agri-food sector with policy measures** which support producer groups and cooperatives, contribute to the modernisation of farm holdings and to the reduction of the cost of production, the construction of public infrastructure and the provision of supportive structures of advisory services, farmer education and training, knowledge transfer and innovation for the improvement of productivity and competitiveness.

- **Increasing the value chain of domestically produced goods** with policy measures that enhance value added production and the certification of the quality and safety of production and exports policy on the basis of a strategic marketing plan. It is worth mentioning that enhancing competitiveness and entrepreneurial extroversion requires the transition to innovative and high- value added entrepreneurship.

- **Developing of human resources and improvement of entrepreneurship** with policy measures supporting the settlement and start-up of young farmers, education and training. Worth mentioning is the need to facilitate the start-up of young farmers through a possible reallocation of entitlements.

- **Protecting the environment and natural resources, improving water resources management, and adjusting to climate change** with targeted agri-environmental measures which at the same time contribute to the quality and added value of the product.

- **Enhancing the social fiber of rural areas** with local development policy measures through public and private investments that target the diversification of household incomes and the access to services of digital support (CLLD/LEADER and rural broadband).

### Implementation progress

The priorities set above are already being implemented. In two years since the approval of the Greek RDP in December 2015, more than 4 bn € have been committed to new calls and older commitments, i.e. 67% of the public expenditure of RDP. With the new calls planned for 2018, the percentage will reach 80% while in 2019 we expect to complete the round of calls for the implementation of the five operational priorities. Furthermore, the progress of RDP is marked by the high absorption indicators.

RDP payments for the period 2015-2017 are the highest per year for the past decade while for the implementation years (2016-2017) of the new RDP, absorption corresponds to 27.8% of EU support. These funds have been directed to the Greek economy and the agricultural sector in particular.

With such a performance, RDP over covered the absorption targets of the National Strategic Reference Framework (NSRF), the average EU absorption rate of 25.52% by 2.35 percentage units and has already achieved in 2017 rule n+3 for year 2018 and nearly that for year 2019.

Although progress has been achieved, the government is committed to work for the continuous improvement of the strategy's implementation. A requirement for that is the synchronization of time-schedules of individual parts of the strategy, in a manner that synergies are ensured and multiplying benefits are maximized.

### 2.2.1.3. Strategy for a sustainable and high value-added tourism

Significant actions implemented in the frame of the National and Regional Tourism Policy have contributed to the Greek tourism industry's record highs achieved in the years 2015-2017. Greek government's vision is to make Greece a top tourist destination offering authentic thematic 365-day tourism experiences. In order to implement this vision 9 key- strategic goals have been designed and are being implemented through a significant number of actions and measures. These policy actions cover a wide range of issues associated with investment regulation, human resources, businesses, digitalization, infrastructures, promotion and development of sustainable high value-added touristic activities.

#### A driving force of economic growth

Greek tourism industry has achieved historical records in the years 2015-2017 and has turned into a driving force for the national economy; an industry that creates synergies among all sectors and growth for local communities through the creation of new sources of income, new entrepreneurial initiatives and new jobs. During 2017 Greece recorded 30 million international arrivals, a 9% increase in tourist traffic, a 10.5% increase in tourist revenue (source: World Travel and Tourism Council WTTC). Moreover, the tourism sector absorbed investments of € 3 bn in 2017 and more than 350 investment projects, 4 stars and plus, were submitted for licensing in 3 years (existing and new). Overall, tourism's total (direct & indirect) contribution to Greece's GDP amounted in 2017 to € 35 bn (19.7% of GDP) and the tourism industry accounted for 24.8% of total employment.

#### Recent key policy actions (2015-2018)

Significant actions implemented in the frame of the National and Regional Tourism policy have contributed to the abovementioned performances. The following actions, among others, can be mentioned:

- Promotion of a single national BRAND and new «Island & Mainland» destinations per target market
- Completion of the Codification of Tourism Legislation (of the past 100 years), available on a digital platform: [law.mintour.gov.gr](http://law.mintour.gov.gr)
- Upgrading of Tourism Education (Re-opening of Guides School / modernisation and upgrading of ASTE and IEK tourism schools)
- Interconnection (clustering) between tourist industry, local agri-food sector and manufacturing
- Simplification of licensing procedures and operation of tourist enterprises (Law 4442/2016)
- Supporting/funding Small and Medium

Entrepreneurship for new tourism projects and thematic tourism through NSRF programs (€ 230 million)

- Implementation of the recommendations of the OECD in the framework of the «OECD Competition Assessment Reviews, Greece, 2014 — Toolkit I», as well as, in the context of the study “Measurement and reduction of administrative burdens in Greece: An overview of 13 sectors - Tourism

#### Strategic Goals of National and Regional Tourism Policy

Our vision for the tourism sector is to make Greece a top 365-day tourist destination offering authentic pluralistic and thematic experiences. A destination that will evolve into an ideal place for travel throughout the year offering unique and complete travel experiences all over the country and not just to traditional destinations of Greek islands. A 2020 milestone is to become one of the top 5 European destinations and among the top 3 destinations in the Mediterranean specializing in «experiential travel».

Our vision will be implemented through the following strategic goals:

- Promotion of Greece as a «Global attractive, safe, destination 365 days a year».
- Increase tourism sector's contribution to Gross Domestic Product (GDP).
- Increase revenue per visitor.
- Upgrading the tourist product, services and infrastructure.
- Extension of the summer season and strengthening of the winter one.
- Promotion of the competitive advantages of new Greek destinations.
- Development of thematic tourism.
- Entering new foreign markets.
- Attracting high value-added investment in tourism.

Specific policy actions are being implemented in the frame of the above strategic goals.

#### Selected policy actions under implementation (2018-2019)

- Modernisation of the institutional framework of tourism enterprises so as to cover the rising tourist demand (1st half of 2018).
- Design and development of thematic tourism (2nd semester of 2018).
- Supporting business environment with the aim of increasing the availability of beds and improving the quality of the existing beds and services (2018).
- Improvement of the competitive framework for attracting investment in the tourism sector [e.g. further improvement of licensing, tax incentives, etc. (2018)].
- Design and development of a modern system of public tourism education and linking educational programs with the labour market.
- Creation of a digital ecosystem for Greek tourism in 4 strategic pillars (digital transformation of services to citizens - enterprises, digital upgrading of tourism education, integrated system of online data collection and processing, utilization of new technologies in promotion).
- Modernisation of public infrastructure in tourism, e.g. airports, harbours, marinas and tourist shelters.
- Targeted and commercial promotion of the country's touristic brand name (central agreements with International Tour Operators, promotion, public relations, creation of new air links, exhibitions etc., per year).
- Activation of Tourism Satellite Accounts, following the pilot application (based on 2015 figures), aiming to create a coherent and easy to use platform containing the most important figures in regard to the tourism industry, available for further analysis.
- Development of a policy framework for the promotion of the film industry in Greece (completion of incentive and licensing framework – 2nd semester of 2018).
- A horizontal project titled "Simplification

of administrative procedures so as to strengthen entrepreneurship" and coordinated by the Ministry of Administrative Reform and e-Government is on-going. The said project aims at simplifying licensing procedures being processed by Regions & Municipalities and includes, among others, the licensing procedures that fall under the competence of the Ministry of Tourism.

#### New policy actions under elaboration (2018-2019)

- Special program «Tourism businesses open 365 days a year» in Crete and Rhodes.
- Training and employment program «Thematic Tourism Specialization», co-funded by NSRF for SMEs (Autumn 2018).
- Special Framework Program for Supporting Rural Production and its Interconnection with Tourism.
- Inquiry of a special development system: «a special tourist area for tourism development 365 days a year», e.g. in South Crete & South Rhodes, new hotel units focusing on Medical Tourism, third age, golf, conference tourism.
- Competitive framework for attracting investors to the strategic development priorities of Tourism. The political priority of the Ministry of Economy and Development and the Ministry of Tourism for 2018 is to jointly design a competitive framework for attracting investors to the strategic development priorities of Tourism, which are: a) Investments in tourism in the fields of Health and Spa tourism, b) Establishment of a network of marinas of large and medium size throughout Greece, c) Development of home porting ports (5-7 outside Piraeus) for the cruise industry, aiming at strengthening the competitiveness of our country as a world cruise destination, d) Hotel complexes, e) Creation of theme parks.
- Special program for «increasing capacity and upgrading quality and services» of 4 and 5 star hotels in the well-known tourist destinations.
- Creation of tourist villages by the Greek State for the stay of EU citizens in Greece for a period of 6 months and thus the transfer of their tax residence to Greece.



**2.2.1.4. Building on Greece's maritime tradition and strategic advantages**

Benefitting from a large merchant fleet, a long maritime tradition, a strategic location for sea trade and hosting top sea tourism destinations, Greece is well placed to chart ambitious maritime policies that boost growth and employment. The country's strategy aims at capitalizing on the shipping industry's strength to expand its economic benefits, developing the port and shipbuilding sectors through privatisations and fully exploiting its competitive advantage in sea and coastal tourism. Already a significant European gateway for Asian seaborne trade, Greece has the potential to develop into a major intermodal transport hub with sizeable port cluster and logistics sectors.

**Shipping****Recent developments**

Shipping's contribution to the national economy is estimated at around 7% of GDP and 193.000 people are directly or indirectly employed in the wider shipping cluster.

Greek owned shipping has fared comparatively well during the past decade of low freight market rates and continues to hold the top position worldwide, accounting for 17% of world fleet capacity. Despite adverse financial conditions, Greek ship-owners placed 288 orders for new vessels during 2017, while ships managed from Piraeus increased by 11.1% in terms of number of vessels and 15.67% in terms of total capacity between 2014 and 2017.

Through coordinated efforts, the fall in foreign currency inflow from shipping that followed the imposition of capital controls in 2015 has been reversed. It amounted to 9.97 bn euros in 2015, 7.81 bn in 2016 and 9.13 bn in 2017. According to the latest data, the first two months of 2018 showed an increase of 11% compared to the same period of 2017. Further recovery is expected, subject to developments in the freight markets.

Measures, mainly of fiscal nature, to increase the overall contribution of shipping to public revenues have resulted in an almost tenfold increase between 2010 and 2017. Specifically, the voluntary contribution of the shipping industry to the Greek economy, which had been budgeted to 420 million between 2014 and 2017, showed an actual surplus of 20 million (until March 2017).

One of the top priorities of the Ministry of Maritime Affairs and Insular Policy is to attract more vessels to the Greek flag. This is achieved by a range of measures to reduce red tape, increase digitization and simplify procedures for registering vessels. A relevant key requirement, which is intended to result in significant reduction in the national unemployment rate, is to attract more Greeks to maritime professions by

upgrading maritime education as well as improving the image of the maritime profession among young Greeks.

By the end of 2019 the Ministry aims to increase the number of ships flying the Greek flag from 750 to 1.000 and to add another 4.000 to personnel employed at sea.

**Maritime Education**

Greece is investing in maritime education in order to meet a large part of the excess demand for officers and crew projected for the coming decade.

An extensive program of upscaling Greek Maritime Academies is underway, which focuses on combating understaffing and upgrading buildings and equipment. Furthermore, virtually all Maritime Academies have signed MoUs for cooperation with local universities offering maritime education courses. Recent legislation (4205/2017) provides for the establishment of another two Vocational Training Centers for Captains and Ship Engineers as well as a School for Rescue and Firefighting Means. In the context of international collaborations, a MoU was signed between Hydra Maritime Academy and the State University of New York Maritime Academy in March 2018, which is intended to serve as a model for further collaborations with top foreign educational institutions.

**Port Policy**

The port industry, which is closely tied to the logistics sector and to the wider field of intermodal transport, is of vital importance to the national economy. The upgrade of rail and road links in Northern Greece and the Balkans which is already underway will expand the hinterland of Greek ports to Central Europe.

The privatisation of the port of Thessaloniki was concluded in 2018, following that of Piraeus. The

agreements provide for mandatory investments of 292 and 180 million euros respectively, while in the case of Piraeus the Ministry is cooperating with the privatized Port Authority for a further planned 200 million investment. In February 2018, Piraeus' Quay 3, capable of hosting vessels of 20.000 TEU, was inaugurated.

In 2017, the port of Piraeus jumped from 44th to 38th place in the Lloyd's List Global Ports Top 100. Inclusion in the top 30 is achievable within the next few years, while position 20 stands as a long term target, based on the rate of increase in the handling of containers, which amounted to 3.8% in 2017. Meanwhile Piraeus holds the top position in Europe in terms of passenger traffic.

Ten further ports belonging to HRADF that have registered good commercial results are in the process of entering into sub-concession agreements according to standing EU and international practices. The legal framework regulating the sea transport of Liquid Natural Gas has been completed, opening the way for investments such as the LNG terminal in the port of Alexandroupoli.

The majority of a total of 1.100 large and small ports, bays and mooring locations have been registered in the PORTIS database system, which includes economic and technical data, for purposes of better planning and utilisation.

Legislative measures (4504/2017) have resulted in limiting bureaucracy and the provision of mechanisms/tools to Port Authorities in order to finally legalize certain port installations. A working group set up by executives from the Ministry, the Ministry of Interior and relevant stakeholders is establishing practices and regulations for a sustainable national port management system. Meanwhile, technical and educational seminars are being offered by the Ministry to Port Authorities in order to assist them in drafting port master plans, manage EU and national funds and implement port safety procedures.

### Sea Tourism

In close cooperation with the Ministry of Tourism, the damage caused by the recent exclusion of Turkish ports from Mediterranean cruise packages, projected to be 40%, was limited to a mere 10%. The destination ports for cruise liners increased from 15

to 30 in 2017, while a dialogue has been launched with companies in order to source investments in cruise terminal infrastructure which can be paid off by future operations.

The development of home porting in Greece remains the top priority of the National Coordinating Committee for the Cruise Sector, established in 2016.

During the summer of 2017 the Ministry of Maritime Affairs undertook an initiative to combat the illegal chartering of tourist vessels, which had grown over the past years. This included stricter controls by the Hellenic Coast Guard, as well as the imposition of heavier penalties via legislative action. This resulted in an increase in the chartering of Greek owned vessels by 70-100% depending on the type of ship, according to the Union of Owners of Greek Tourist Vessels.

A recent lifting of restrictions, inter alia in crew composition, has resulted in the liberalisation of the market for mega-yacht chartering, which is expected to attract both domestic and EU charterers and to elevate island tourism further.

### Shipbuilding and repair

The once thriving shipbuilding industry of Greece, currently plagued by complex legal, market and technical issues on account of past mismanagement, is potentially a source of sizeable growth and a target for significant investment.

Efforts are continuing to unlock the productive potential of Skaramanga shipyards from commitments towards past investors and legal restrictions. The immediate goal is to manage to sell Skaramanga Tank 5. The privatisation of Neorion Shipyard in the island of Syros is proceeding as planned. Meanwhile, a new floating tank of 80.000 TEU capacity has been established in Perama in early 2018, while another 3 smaller tanks in Piraeus have undergone repairs. Activity in the Salamina shipyard is picking up, with an 85m mega-yacht being launched this summer. The necessary legal framework was set up to allow for the development of small shipyards for wooden tourist vessels. A program to lift 26 identified shipwrecks is planned to be completed by end 2018. Aside from environmental and maritime safety benefits, this will provide a growth impetus to MSEs in the salvage, scrap management and resale industries.

## 2.2.2. Boosting Start-Ups and SMEs

### 2.2.2.1. Productivity through innovation

Greece must increase R&D expenditures and improve the innovation framework. The Hellenic Foundation for Research and Innovation has been established to support capacity building and quality research in Higher Education and Research Organizations, in cooperation with the EIB and the support of public investment. Major actions are in place to support cooperative research between public and private institutions: the creation of the EquiFund with an innovation, an early-stage, and a growth window, as well as a series of incentives designed for private investment in R&D. Flagship Initiatives have also been launched.

#### Building the Knowledge Economy: a socially responsible development strategy

Greece has an excellent scientific human potential. However, innovation rates are well below the EU average and entrepreneurship is characterized by medium or low levels of knowledge intensity. This paradox is due to a series of socio-economic characteristics that have shaped the Greek state and largely determine the country's position in today's global division of labour. Furthermore, the crisis led to a massive exodus of talent abroad (brain drain) and to an under-utilization of talent at home (brain waste).

Our task is to create the conditions for enabling knowledge-intensive research and innovation, as well as enabling access of micro-enterprises and SMEs to knowledge-intensive innovation, so as to facilitate entrepreneurial activity, job creation, and equitable social benefits from the development of high value-added goods and services.

#### Increasing R&D investments

A basic premise is that investment in R&D has a significant multiplier effect on GDP. There has been an increase in both public and private sector's R&D expenditures since 2014. This corresponds in absolute terms to an overall increase from 1.48bn euros in 2014 to 1.75bn euros in 2016, indicating a serious commitment under very difficult financial circumstances. It is noteworthy that positive measures taken to encourage private sector investment in R&D resulted in a 31.9% increase from 444M euros to 706M euros. The goal is for this trend to continue and for expenditures to exceed 1.2% of GDP by 2020.

The scaffolding for the new Research and Innovation framework is already in place, incorporating three major policy poles that support quality and excellence:

1. Maintaining and building capacity.
2. Supporting innovative entrepreneurship.
3. Launching flagship initiatives.

#### Hellenic Foundation for Research and Innovation

To date, legislative actions and financial tools have been implemented with the aim of developing the appropriate environment for fulfilling policy priorities. In particular a new institution, the Hellenic Foundation for Research and Innovation (HFRI), has been established. It is designed to support capacity-building and high-quality research in Greek Higher Education Institutions (HEIs) and Research Organizations (ROs), with an initial funding of 240 m€ from the EIB and public investment between 2017 and 2019. During its first year of operation (2017), actions through the HFRI have yielded the first positive results, slowing the brain drain and encouraging young researchers to return to Greek HEIs & ROs. The objective over 3 years is to create up to 4,000 new positions through HFRI for talented young scientists. Continuity and consistency of national research calls and other measures need to be maintained and enhanced in the future to solidify these trends.

#### Promoting innovative entrepreneurship

For promoting innovative entrepreneurship three major actions are in the early stages of implementation:

- Support for cooperative research and innovation projects between HEIs, ROs and companies through Structural Funds. In the first phase of this action a public budget of 394 m€ has been committed to support 685 research projects, that are expected to create 4,400 new highly qualified jobs.

- Creating opportunities for new innovative companies through the establishment of a Fund-of-Funds for equities capital supply as a PPP initiative: EquiFund includes three funds: The Innovation Window transforming research ideas into start-ups; the Early-Stage Window supporting new companies in their first steps; and the Growth Window for the support of mature enterprises.

- A series of new incentives have been designed for private investment in R&D, which are expected to create high quality career opportunities for young scientists in the private sector.

- More than 90% of the current and scheduled calls published by the General Secretariat for Research and Technology (GSRT) are focused on the scientific and research collaboration between innovative enterprises and public research organization on the basis of both scientific excellence and industrial relevance.

### Flagship initiatives

The Flagship Initiatives are horizontal research actions in emerging research fields with a strong social dimension and innovation potential. Three Flagship Initiatives have been designed so far and are being implemented. The first combines culture and cultural heritage with science and technology. The second targets innovation in agri-Food based on the implementation of genomic and other advanced technologies for improving and adding value to the quality and safety of agricultural products, with emphasis at this stage on three major product groups: olive oil, wine and honey. The third Flagship Initiative promotes research and clinical applications in the ground-breaking, emerging field of Precision

Medicine. This is a new approach to the prediction, diagnosis, and treatment of diseases based on an individual's unique characteristics [genetic profile, environmental influences and lifestyle]. This aims at the personalized optimal therapy of patients, with significant cost-benefit effects for the public health system. The first national network targets oncology, with plans for establishing networks for neuro-degenerative diseases and for cardiovascular diseases.

Altogether, actions under these three poles comprise the first holistic and systematic framework for building step-by-step the Knowledge Economy in Greece. Our vision is to move on by removing lock-ups and other obstacles identified in this process, releasing the human potential and talent, and promoting joint ventures in vibrant scientific and entrepreneurial environments.

All the calls for competitive research projects coordinated by the Research and Innovation Division of the Ministry of Education, Research and Religious Affairs are already monitored through the established Monitoring Information System (M.I.S.), which is an information and management system for all the projects co-financed under the National Strategic Reference Framework (NSRF) and the Community Support Framework (CSF). Through that system an extensive set of Indicators related to innovation outputs are monitored including number of patents, number of enterprises and start-ups funded, new job positions in R&D etc. The overall data are subsequently submitted to the National Documentation Centre which is responsible to collect, document, manage, disseminate and preserve quality digital content and data produced by the Greek scientific, research and cultural communities.

**2.2.2.2. Enhancing export capacity - Attracting Foreign Direct Investment**

Increasing exports and attracting FDI to integrate Greek SMEs into global value chains is a priority of the Growth Strategy. The government has designed and implemented a National Action Plan to boost exports and improve the extroversion of the Greek economy. The Government is also taking decisive steps towards becoming an attractive FDI destination. It is taking action to improve the business environment, reviewing the legal framework for strategic investments - notably by introducing a fast-track framework - and it has passed a new Investment Law in order to facilitate and accelerate the development of large scale investments in Greece.

**National Action Plan for Exports**

Strengthening outward-oriented sectors and boosting exports are necessary to ensure strong and sustainable growth after a long recession and in the context of a low, albeit recovering, domestic demand. The Greek economy is characterized by its low extroversion compared to other European economies.

Nevertheless, there has been a significant improvement in recent years: exports of goods and services amounted to 33% of GDP in 2017 from 19% in 2009. Our goal is to overcome 50% before 2025. To that end, we have designed a National Action Plan, which is currently under implementation, to boost exports and to improve the extroversion of the Greek economy. The Plan focuses on:

- The establishment and increase of the market share of exported Greek products in traditional export markets.
  - Securing new markets for Greek products.
  - The increase and diversification in the number of exported goods, with new products of high added value and of knowledge- and technology-intensity.
  - The continuous support of exporters, in the search for foreign markets and at each stage of the export process.
  - The improvement of export business skills and the orientation of businesses towards products with good export potential.
- The organization of export markets through strategic planning.
- The elimination of barriers to entry into foreign markets.
- The diminishing of bureaucracy and coordination of public services to promote exports.
- The smart branding and systematic promotion of Greek products on international markets.

Concrete results, of the action plan are already visible but by the end of this year we'll have significant improvements. The steps taken are based on international best practice and expertise.

So in many aspects, the implementation of the current Export Promotion Action Plan has already provided the necessary institutional and technical groundwork for addressing the lasting problems surrounding Greek exports (by offering new mechanisms, tools, methodologies and policy recommendations).

As far as the objective on reducing the number of procedures and their burden is a parallel effort in close cooperation with export promotion action plan.

Within the framework of the Trade Facilitation Roadmap, the "Single Window" is currently under development, aiming at reducing and simplifying pre-customs and customs procedures related to Exports (and Imports). In this respect, a Vision document and an Action Plan were developed. The implementation of the project will take approximately 3 years. The E-Trade Single Window will be an information system that will interface with the Integrated Customs Information Systems (ICISnet), and with the Information Systems of other public bodies and organisations involved in cross-border trade and systems of the private sector to facilitate traders in pre-customs procedures.

**New Framework for FDIs and Strategic Investments**

Foreign Direct Investments (FDIs) have been an important source of financing over the last decades, and a valuable means to improve overall productivity in host countries through the transfer of technology and modern management practices. Greece has had a poor track record in attracting such investments.

The Government is taking decisive steps towards becoming an attractive FDI destination. It is taking action to improve the business environment as well as revising the legal framework for strategic investments, notably by introducing a fast-track framework, and has passed a new Development Law in order to facilitate and accelerate the development of large scale investments in Greece.

The government is currently amending the relevant law in order to eliminate the issues limiting the effectiveness of the Private Strategic Investment Framework to attract investors to Greece, and to facilitate investment and reinvestment through enhanced implementation of the law, based on European best practices.

These initiatives aim at streamlining entry procedures for strategic investments and foster coordination between ministries and agencies involved. They will help avoid gaps in the procedures, duplication and inconsistencies, and to take into account inputs and perspectives of all stakeholders. The amendments that are being carried out are articulated around three objectives:

- Introducing categories and definition of investments.
- Identifying distinct motivation for each investment category.
- Screening of procedures and implementation of the law - through assignment and assumption of responsibilities and obligations of both parties-private investor and the State - to coordinate the work of different agencies by streamlining licensing and establishing strict deadlines.

Our commitment to support such investments is also highlighted by the recent creation of a special Task Force, chaired by the Prime Minister.

The Task Force will accelerate investments, address bottlenecks and improve the legal framework wherever necessary. Just a few months ago, the Task Force unblocked investments of a total value of 670m euro in tourism and energy. This model was used for the first time to accelerate the construction of five national motorways megaprojects, and it proved very efficient.

In addition, the government is working closely with the WB, in the context of Technical Assistance, in order to receive analysis and advisory, notably to review the effectiveness of Greece's FDI attraction and retention system. It will allow a thorough review of the current regulatory framework, operational practices, structures and the wider national collaboration and coordination framework. Specific initiatives that target country or funds relevant for the Greek sectors that present significant investment opportunities will be further developed and improved.

Furthermore, a series of reforms have been implemented that create a more favourable business and investment environment. Two new laws that drastically simplify and accelerate the establishment and licensing of new companies have been voted, and a new framework for market supervision is being implemented, which reduces administrative and bureaucratic burden on businesses.

### 2.3. Improving the Business Environment and Boosting Investment

Greece wishes to provide a healthy economic and regulatory environment for attracting innovative, thriving and responsible businesses in social and environmental terms. Over the past three years, the Greek government has implemented a series of reforms that improve the economic environment and the functioning of product and service markets and create a much friendlier framework for investments.

In order to set up an operational business environment our government pursues an integrated reform agenda, aiming at the simplification of processes and the reduction of bureaucracy, as well as at transparency, market and judicial efficiency and acceleration of procedures. Examples of the various initiatives undertaken include:

- **Simplification:** reducing administrative burdens on entrepreneurship through the simplification of processes.
- **Transparency:** digitalizing processes in the public sector to secure an equal footing for all players involved in public procurement.

- **Efficiency:** removing barriers to entry into product and service markets reforming the judiciary system, creating an integrated institutional framework of extrajudicial settlements.

- **Acceleration:** we created one-stop shops that support the operation of existing companies and allow newcomers to create new companies in just a day.

For this purpose, two new laws that drastically simplify and accelerate the establishment and licensing of new companies have been voted, and a new framework for market supervision is being implemented, which reduces administrative and bureaucratic burden on businesses, and safeguards more effectively the public interest. At the same time, the country is completing its national cadastre and its integrated spatial planning to tackle the issue of land uses, which is crucial for real estate and other long-term investments. Moreover, the Greek Government is partnering with the World Bank for the implementation of a series of targeted reforms, in the fields that the review "Doing Business" report

points out that should be dealt in order to facilitate entrepreneurship and to improve competitiveness of the Greek economy. The Ministry of Environment and Energy will further seek to introduce objective quantitative criteria and indicators to simplify processes for the renewal and the amendment of environmental permits.

All in all, we are setting up a simple and transparent business environment, encompassing all relevant fields: taxation, licensing, spatial planning, financing. The latest Euro Plus Monitor report (September 2017), mentions that Greece holds the first place among the 28 EU member states in reforms that promote competitiveness.

### 2.3.1. Building a Modern State

The crisis underlined the necessity to modernize the Greek administration and build a modern state. With the help of extensive technical assistance bringing international best practices, the priorities revolve around reducing bureaucracy through process-based management, improve public services management using digital infrastructure and tools, enhancing human resource management, codifying and improving legislation, tackling corruption and diffusing successful reform to whole public administration.

#### 2.3.1.1. Public administration

During the third economic adjustment programme, the Greek administration designed and implemented a series of structural reforms targeted at the modernization, strengthening, capacity-building of the Greek public administration (PA) system and its de-politicizing in order to tackle clientelistic practices and networks. Among other things, the Greek administration:

- Adopted a key reform to de-politicize the process of appointment of Secretary Generals and equivalent positions
- Implemented a meritocratic system for selection of top managers.
- Developed a modern and transparent Single Mobility System for the effective management of public officials' career paths, in accordance with digital organigrams and job descriptions.
- Implemented a new system for assessing the performance of public officials.
- Made substantial progress in tackling corruption, through the establishment of the General Secretariat of Anti-Corruption (GSAC) and the implementation of the Anti-Corruption Strategy.

1. Coordination
2. Structures and Procedures
3. Local Government
4. Human Resources
5. Regulatory Governance
6. Transparency-Accountability
  - Open Government
7. E- Government Strategy
8. Tackling Corruption

Each pillar specifies relevant policy sub-sectors, as well as general and specific milestones and goals. The implementation of the NSPAR 2017-2019 has already shown outstanding effects. This unprecedented initiative and our great progress has already been acknowledged by the OECD (Economic Policy Reforms 2018: Going for Growth).

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Responsibility for monitoring and reporting progress on the NSPAR 2017-2019 rests with the Ministry of Administrative Reconstruction (MAR), in cooperation with the relevant bodies of the Greek public administration. Together with Technical Assistance by the Structural Reform Support Service and Expertise France, the Greek administration has succeeded in developing a programme to support the implementation of the reforms.

#### Public administration reform

In 2017, the Greek administration incorporated these reforms into a comprehensive National Strategy for Public Administration Reform 2017-2019 (NSPAR 2017-2019) which aims at improving the effectiveness and efficiency of the Greek public administration. Specifically, the NSPAR 2017-2019 includes policy actions structured into eight pillars:

## 2. Fostering Sustainable Growth

The Greek administration has the ownership of the reforms and will ensure the continuity in the reform effort, focusing on three priorities:

- The diffusion of agreed reforms to the rest of the administration.
- The continuing implementation, monitoring and communication of the NSPAR 2017-2019.
- Setting up a virtuous circle, to ensure sustainability and continuous improvements, with tangible benefits for citizens and enterprises.

Upcoming actions correspond to the axes of the NSPAR 2017-2019. Special emphasis will be given the following issues.

### Reducing bureaucracy and improving regulation

Process-based management for tackling bureaucracy has been central to the reform effort. The Greek administration aims at developing a holistic system of process management (“Process Registry”) using contemporary mapping methodology (BPMN) and better measurement of costs and durations of administrative procedures. The purpose of the project is to enhance the coordination of process management in the public sector, along with the use of evidence-based policy making, and to develop a process management culture among public officials. Those initiatives can bring substantial improvements in the quality and effectiveness of services provided to citizens and businesses.

Along with the Process Registry, special emphasis is given to the development of high-value digital infrastructures and services to improve the overall functioning of public services. Important initiatives include the establishment of a comprehensive digital organigram for the public service, the digitalization of one-stop-shops (KEP) and the improvement of digital skills of public officials. Digitalization of services, along with a rationalized categorization of regional/local services, will also focus on their effective provision in distant/critical areas, upland regions, areas of low population and island regions, laying the foundations for an effective regional and local development.

In terms of codifying and improving regulation, the Greek administration follows a comprehensive strategy to establish an effective pre-legislative system, implement Better Regulation procedures and principles, as well as to codify its legislation. It seeks to address the fragmentation and proliferation of laws, improve regulatory consistency, as well as to

reduce of administrative burdens. Citizen access to law will be further improved through a publicly and freely accessible web-portal.

### Enhancing human resource management

The Greek administration will proceed with actions to achieve integrated HR management for the public sector and a modern and unified system of recruitment planning and procedures, consistent with the country’s fiscal targets. The comprehensive digital organigram, as well as job descriptions for all general government entities, will be utilized as a tool for the formulation of a medium- to long-term HR strategy. The HR strategy, planning and recruitment will be performed and adjusted as needed, in order to maintain the wage bill in line with the applicable MTFS. Wage policy in the public sector will continue to be based on the unified wage grid and will provide incentives as to increase public officials’ performance, safeguarding achievement of the fiscal targets. This integrated approach will strengthen the role of MAR in coordinating and prioritising the hiring needs, enhance the capacity of ASEP as to accelerate the recruitment process, fulfil the needs of the administration in the context of an ageing workforce and help rationalize the employment of temporary and emergency staff. Furthermore, the new system will address particular needs such as the understaffing of the local government in areas of low population and island regions. Together with the rationalization of the curriculum (“klados”) system, as well as the establishment of the new goal setting process and a new HRMS information system, public HR management in Greece will reach EU standards and leave behind, once and for all, the bad practices that prevailed in the past.

### Diffusing reforms to the whole administration

The Greek administration is reviewing the organizational structures and job descriptions of all General Government entities, as it rolls out its plan for public sector mobility system. An improved monitoring mechanism for the progress of reforms in these entities will be established, ensuring that selections of managers, as well as performance assessment of personnel, proceed according to the rules and timelines set in the legislation.

Moreover, and in line with international best practices, the Greek administration will incorporate a contractual management scheme (performance



contract) to monitor and evaluate organizations (“legal entities”) under the supervision of Ministries. It will include specific actions, objectives and indicators, to modernize operations, improve transparency and accountability, enhance the quality, effectiveness and efficiency of the services provided to citizens, businesses and other organizations. A pilot project will be initiated with specific entities, and it will be gradually extended.

### **Coordination, internal support and monitoring mechanisms**

The Greek administration will further strengthen government coordination, by applying the Manual for Inter-Ministerial Coordination as a key tool. Moreover,

#### **2.3.1.2. Tackling Corruption**

The need for legislative initiatives and direct coordinated action against corruption has led to the replacement of National Anti-Corruption Coordinator by the General Secretariat Against Corruption (GSAC). Great emphasis is placed on the implementation of the National Anti-corruption plan, the rationalization of control and audit mechanisms, as well as the incorporation of modern tools and technical assistance from experts. The implementation rate of NACAP was at 13% in early 2015; three years later the rate has increased to about 70%. Within the last three years very important legislation has been introduced passed regarding Declaration of Assets, Public Procurement, Political Parties Financing, etc. in the revised National Anti-Corruption Plan, actions relating to the enhancement of integrity and transparency in public sector have been incorporated, such as the legislation on conflict

in the aforementioned areas of administrative reform, the Greek administration has acquired knowledge and expertise thanks to an extensive collaboration with its European partners. In order to strengthen MAR as key driver of administrative reform, it will enhance monitoring and support mechanisms, by establishing:

- (a) A Public Administration Observatory, with competencies in the field of monitoring and evaluation of the progress of reforms, as well as
- (b) An Internal Technical Assistance Mechanism, which will facilitate the diffusion of policies and international and European best practices across the public administration. Furthermore, it will gradually evolve into a national technical advisor to the State in matters of administrative reform.

of interests and lobbying, or the Code of Conduct for Public Officials, revision of the Code of Conduct for the MPs and the Government and Judiciary Integrity. Internal control systems (internal safety valves) of the administration are being reinforced, including through legislative action, notably by strengthening internal audits in the central and local administrations. Also, Greece is part of several key international conventions against corruption. In order to reinforce fight against corruption, the Greek administration will fully implement all binding recommendations stemming out of the European and International framework, with respect to the national constitutional framework. Moreover, special emphasis will be given to strengthening the coordinating control role of the General Inspector of Public Administration (GEDD).

#### **2.3.1.3. Legal and judicial reforms for economic activities**

A well-functioning legal system is crucial to citizens and economic growth. The improvement of judicial administration is an absolute priority of the Ministry of Justice, Transparency and Human Rights (MoJTHR). Government seeks to establish a modern and efficient rule of law, ensuring unhindered access to justice for all social groups and individuals. In this context, MoJTHR is implementing a three-year strategic plan aiming at the improvement of the operation of the system for administering justice. Ministry’s key priorities are speeding up the hearing of cases and proceedings and eliminating backlogs in civil, criminal and administrative processes.

This will be achieved via targeted institutional interventions, with the best use and further enhancement of existing human resources, the modernization of justice infrastructure and its technological upgrading, as well as the development of alternative dispute resolution and peaceful solutions within and outside the judiciary. MoJTHR aims to promote e-Justice, collect, process and use information and statistics on the functioning of the courts for policy making.

To meet these challenges, the MoJTHR undertakes numerous initiatives and implements a strategic plan, using extensive technical assistance:

- It implements a three-year strategic plan for the improvement of the functioning of the justice system. On the one hand, some of the actions being implemented concern the whole system of the administration of justice (horizontal actions) and, on the other hand, the specific directions of it, namely administrative, political and criminal justice (vertical actions). Furthermore, some of the actions aim to achieve those objectives through purely institutional measures, while others deal with the infrastructure of justice, its staffing, and its technological upgrading.

- In 2015-2017 Phase I of the Judicial System Reform, in cooperation with the European Commission and the Austrian Ministry of Justice, is being implemented.

- In 2017-2018 Phase II of the Judicial System Reform, in cooperation with the European Commission and the Ministry of Justice of Austria, will be concluded.

- By September 2018, the implementation of Phase III of the Judicial System Reform, in cooperation with the European Commission and the Austrian Ministry of Justice, shall start.

- After 2018, evolution of the profession of the insolvency administrator in cooperation with the European Commission and the EBRD, shall follow.

### Legislative improvements

In the first place, MoJTHR undertook important legislative initiatives, critical for the financial sector, whose implementation is being monitored and improved then. In this context, law on corporate insolvency was fully reformed, providing second chance, provisions on forced execution was reformed, by introducing the electronic auction procedure, ensuring transparency and efficiency, reforming creditors' ranking, introducing a super-priority for employees. Legal measures have been taken to ensure fundamental freedoms and access to justice, in line with the 2030 Sustainable Development Agenda. Further measures are continuously planned and implemented to protect rights, enhance transparency, fight corruption and serve sentences while respecting the rule of law.

### Mediation and alternative dispute resolution mechanisms

Reform of the institution of mediation (articles 178 et seq. law 4512/2018) was completed in line with the best practices proposed by the EU / Austria Technical Assistance. The new framework promotes the institution of mediation, modernizes the institutional framework, introduces a compulsory stage in the

mediation of a part of civil and commercial disputes to be resolved out of court at low cost without going to court as well as the mandatory use of statistics for the purposes of efficient monitoring.

Another institution for out-of-court settlement of disputes was set up in 2016, i.e. the Independent Remedies Review Body examining pre-litigation cases concerning public procurement.

### Insolvency framework

The bankruptcy framework has been significantly improved on the basis of the following axes: a) providing a substantial opportunity for starting again (fresh start) to the honest entrepreneur who finally failed despite his bona fide efforts; b) enhancing efficiency and shortening the deadlines for extending the bankruptcy process so that, in the case of non-viable enterprises, bankruptcy is completed within a reasonable time, and, for viable businesses, rescue mechanisms are rapidly put in place; c) strengthening the resolute functioning of bankruptcy law for viable businesses, so that this is not a destructor of values but a modern tool to tackle commercial insolvency, with emphasis on its preventive collective satisfaction of the creditors in the resulting «loss society», in terms of equality (*par conditio creditorum*).

Meanwhile, institutionalizing the profession of insolvency administrator will significantly improve the quality of the services provided in this field. Its implementation will continue with Technical Assistance from the European Commission's Structural Reform Support Service and from the EBRD. Greece now has one of the most modern bankruptcy legal frameworks across Europe.

### E-justice

The development of e-Justice is crucial for speeding up the efficiency and transparency of the courts. To this end, an integrated system for the management of civil and criminal justice lawsuits is being developed. The ultimate goal is the so-called "Paperless Trial", as well as the production of reliable statistics. The first phase of the project began in 2015 and was used in the largest courts in the country (Athens, Thessaloniki, Piraeus and Chalkida). Phase I will be completed in 2018. Phase II, that is, the extension to all the courts of the country is expected to start in 2019, and in particular in the first half of 2019, the tendering procedures are expected to be completed and in the second half of 2019, the gradual implementation of the project shall begin. This is an emblematic reform, as for the first time in

the Greek legal system a unified information system will operate that digitizes the judicial reality, aiming at transparency, simplification and homogeneity of procedures, monitoring, control and transparency in economic matters, as well as the interface with public-sector systems for the benefit of citizens.

### Resource management

Human resources in justice are also being increased, with a rational distribution based on needs and capabilities. The problem of incomplete infrastructure is addressed both at the building level as well as by developing e-Justice and introducing institutions such as teleconference.

In this field, an emblematic reform is the planned abolition of the transitional seats of the administrative

courts in the island regions and their replacement by teleconferencing. Another such example is the abolition of some transitional seats of land areas in the appellate court, and at the same time the restructuring of the human resources of the respective courts. The study on the abolition of transitional seats in administrative courts will be completed in 2018.

Another important initiative is the decentralization of the Athens Court of First Instance, which is under study. A road map will be ready in 2018 and provides for three independent Courts (the cases of Peristeri, Halandri and Kallithea are being studied). This will lead to faster access to justice, rationalization of the administration of justice and speeding up the proceedings of the Court of First Instance. At the same time, it will lead to the decentralization of the largest Greek (and European) court per population.

### 2.3.2. Administrative Reforms for Fair Competition

The Greek government has completed a series of reforms to foster a dynamic domestic business environment. Reforms to increase business creation include the creation of a modern one-stop shop for establishing and licensing businesses. The recommendations of HCC-OECD assessments have been mostly implemented to foster fair competition in product and services markets, while the framework for inspections and controls has been significantly improved. Enhanced spatial planning and the completion of a modern cadastre will also be central in eliminating key bottlenecks for investment.

### A digital one-stop shop supporting businesses throughout their lifecycle

A fast, simple, and coherent framework for the establishment, licensing and supervision of businesses is being implemented in Greece for the first time. A framework that contributes decisively to the economic growth and the creation of new jobs, facilitates investments and creation of new businesses, reducing administrative burdens and effectively protecting the public interest.

Law 4441/2016 fully digitized all processes related to starting a business, thanks to an e-One Stop Shop (e-OSS) and interoperability between the Taxis and the General Commercial Register / GEMI databases. All necessary documents are submitted digitally and the establishment of a company is confirmed on line in real time. The scope of services provided by digital and non-digital OSS is expanded: founders are provided with company login credentials for TAXIS, thus avoiding the extra step of visiting their local tax office. Social security registration will also become faster thanks to the automatic transmission of all relevant information. This process is not only less time-consuming but also more affordable for businesses.

The next step is the expansion of the OSS beyond the setting up stage of a company, by providing support to businesses throughout their lifecycle by the complete digitisation of the relevant processes. The establishment of full interoperability between public administration registries, in order to take full advantage of their potential for administrative burden reduction, is the main tool to accomplish this goal. In collaboration with the SRSS, an action plan is being prepared, aiming at the quantification and assessment of the administrative processes that are most burdensome for companies throughout their lifecycle. The action plan will provide a road map for the simplification and digitization (where applicable) of those processes, based on the one-stop shop and once only principles.

With the new law, business licensing is done immediately, with a simple and digital notification in the Integrated Information System, while the required inspections take place later on during the operation of the business, safeguarding more effectively the public interest. While it previously took 30 days on average for a business license to be issued, with the adoption of the new law the operation of a business can begin immediately after the terms and conditions have been disclosed.

Most of codified economic activities have already been integrated into the new licensing system and by July 2018 the integration will be concluded. More than 28,000 businesses have so far been using the new licensing mode through the specialized information system.

In order to efficiently provide businesses with digital services, the Greek Government has adopted the position on setting up a single digital gateway which will provide online information, procedures, assistance and problem solving services to citizens and companies. The single digital gateway will integrate several networks and services that have been established at national and EU level to assist citizens and enterprises in their cross-border activities. These include: European Consumer Centres, Your Europe Advice, SOLVIT, Intellectual Property Rights Helpdesk, Europe Direct and Enterprise Europe Network. The user interface will be user-friendly and available in all official EU languages and will ensure centralised access by EU citizens and businesses to information they need to exercise their rights to mobility in the EU, as well as to full access to online procedures in a non-discriminatory way.

### Product and service markets competition

Reducing barriers to entry in product and service markets will allow the entry of new firms, increase the incentives to invest and innovate, as well as help restore the competitiveness of Greek firms. The OECD Product Market Regulation Index shows that in the years prior to 2013, Greek products markets were the second most regulated in the European Union. The Greek government has taken advantage of three successive Competitive Assessment Reviews conducted by the OECD and the Hellenic Competition Authority (HCC) to identify and remove harmful regulations. In less than three years, they implemented more than two-thirds of the OECD Competition Assessment Reviews.

Moving forward, protecting the Greek consumer and reviving the productivity of Greek firms will rest on a continued effort to review product and service market regulation to:

- Streamline the existing regulation to improve readability, to ease the legal burden of SMEs.
- Remove regulation that protects incumbent firms with no significant benefits to consumers.
- Ensure adequate safety, environmental performance, and consumer protection regulation.

A key requirement for this task is the availability of quantitative analysis. In the digital era, improved regulation and the assessment of barriers to competition should be data-driven. To this end, an Entrepreneurship Observatory is being established, in collaboration with the SRSS. The observatory is expected to contribute to a more effective and efficient policy design and assist to the implementation of better regulation principles for both ex ante and ex post assessment of regulations that affect competition in product and services markets. The Observatory will operate by combining available business, economic, demographic and spatial data to provide policy oriented analysis on entrepreneurship, competition and competitiveness. The data will also be used for conducting competition studies and analysis, in collaboration with the Competition Commission. The focus will be on key sectors of the economy, where the risk for oligopolies or other unfair competition practices is high. The Observatory will also provide open data to and receive feedback from stakeholders, whose contribution will be taken into account at the policy design stage. Overall progress will be monitored with reference to the OECD Product Market Reform Index.

### New framework for market supervision and controls

The new laws for the establishment and the licensing of businesses were complemented with a modern framework for inspections and market supervision. This framework streamlines audit procedures, reduces administrative and bureaucratic burdens on businesses, contributes drastically to the reduction of corruption, and more effectively protects citizen's health and safety by completing inspections during the operation of businesses and not through the provision of standards supporting documents, as was the case in the past.

The central principle of the new framework is to support the compliance of businesses with the requirements of national and European market supervision legislation. To this end, common principles and procedures for all types of inspections are adopted, common supervisory methods and tools are introduced, and the rights and obligations of supervisors and supervised entities are clearly defined. The new institutional framework is implemented through an integrated information system and includes a digital register of auditors that ensures the transparency of inspections.

### A modern Cadastre and Spatial Planning

Greece is completing its integrated spatial planning to tackle the issues surrounding the use of land, at the national, regional and local levels. The reforms being implemented contribute to the development of the Greek land by enhancing legal certainty and environmental protection and, on the other hand, by safeguarding the public interest. Furthermore, the integrated spatial planning and the resolution of land use issues will facilitate the introduction of policies to tackle emerging climate risks, particularly with regard to extreme events and impacts (flood risks, forest fires, protection and management of coastal areas), thus contributing to future climate resilience. The main initiatives include:

- The coordination of strategic, public and private development plans with the different levels of spatial planning in order to increase the added value for the national economy and for local communities.
- The simplification and acceleration of spatial planning procedures.
- The reduction in legal and spatial arrangements complexity.
- The protection and sustainable management of the country's natural capital.
- The development of a new system of land use categories, which improves urban planning, climate resilience, the residents' quality of life as well as facilitates entrepreneurship.

Reforms span across the whole range of spatial planning, based on a tight timetable that should be completed by 2021. These reforms include: the implementation of the secondary legislation for the new institutional framework for spatial planning (Dec 2018); the revision of the Regional Spatial Planning (September 2018); the drawing up of Local Spatial Plans across the country (Sep 2018), a major project that will be implemented in several rolling phases; and the integration of Special Spatial Frameworks for the main economic activities such as Tourism (2019), Industry (2020), Mineral Resources (2020), RES (2020), Aquaculture (2021). Regarding the development of aquaculture activities, a major program is underway for the adoption of Presidential Decrees establishing organized areas for aquaculture in the entire country (by end of 2019) in accordance with the current spatial framework.

As far as the National Cadastre is concerned, a roadmap has been adopted, providing for major milestones for the full operation of the new agency and the timely completion of cadastral

mapping which will be monitored and regularly updated (to be finalized by 2021). The roadmap also incorporates a timetable for the completion of forest maps (full ratification by the end of 2020) and the definition of coastline (early 2019). Finally, the Law for the transposition the EU maritime spatial planning directive was adopted (Law 4546/2018). Furthermore, a series of structural interventions is underway, to rationalize procedures, reduce the administrative burden and significantly reduce costs for businesses and citizens. To this end, the reform of the administrative infrastructure for geospatial data (2019), the development of the necessary infrastructure for the electronic submission of building licenses (July 2018) and the implementation of the e-urban planning programme (Dec 2018) are underway.

### Construction industry: Simplification and acceleration of licensing

Under the scope of Law 4495/2017, the construction regime and especially the licensing scheme is fully regulated in a holistic approach. This law aims at simplifying and accelerating all licensing procedures in the construction industry. More precisely, the licensing authority keeps the responsibility of issuing construction licenses. The responsibility concerning controls is reassigned to a district authority in order to accelerate procedures. In that way, the Greek government aims to tackle corruption (by separating the licensing authority from the controlling authority). At the same time, the increase in the number of controllers is of key-importance for accelerating the completion of construction projects. Under the provisions of the law, the role of the Private Engineers Register has been fully upgraded and is used as the main pool of in-situ controllers who execute controls for existing buildings or under-construction buildings in order to verify the compliance to the license.

Furthermore, licences have been categorized with respect to several criteria in order to prioritize the most demanding projects: project budget, implementation of national cadastre in the area and projects of high national priority. For small building projects, the licence is issued in a simplified way (submission of construction planning) and the engineer in charge assumes full responsibility for the accuracy of the execution of the licence.

The whole procedure will be supervised digitally. The data of buildings will be registered with respect to e-Government goals and will be compatible with national databases (interoperability).



## **3. Structural** Conditions for Growth

Crucial for supporting growth is the presence of accessible, high-quality, resilient, reliable and sustainable infrastructures. The aim is to develop and upgrade road and rail networks and improve the efficiency of maritime transport. In this context a policy objective is for Greece to become a leading logistics hub by increasing transit and developing value-added services.

At the same time investing in a comprehensive national digital strategy is crucial for Greece's economic transformation and can lead to tremendous productivity gains, greatly improve the quality of life of Greek citizens and the quality of public services.

Finally, the importance of the energy market is not to be neglected, both internally, as well as on an international level. The aim is expanding domestic energy market development and lowering energy costs, while at the same time keeping the country

on track with regards to climate change mitigation commitments, air quality targets and national and EU legislation. This can be achieved both by investing in the interconnection of islands as well as on renewable energy and energy efficiency, thus restructuring of the domestic energy market. At the international level it is important to foster co-operation with the Balkan countries by intensifying efforts to develop interconnections for all types of infrastructure.

An important tool for achieving all these goals is the assets owned by the Greek Government. In order to make the most potential of these assets, major reforms in the field of public asset management are already being implemented, aiming at promoting transparency, efficiency, environmental sustainability, social and territorial cohesion, contribution to debt sustainability, growth, economic development and high-quality services to citizens.

## 3.1. Infrastructure and Networks

### 3.1.1. Transport Infrastructures

Greece places great emphasis on creating accessible, quality, resilient, reliable and sustainable infrastructures which can contribute to its development. The National Strategic Transport Plan, the backbone of the national policy, seeks to develop and upgrade road and rail networks and integrate them into trans-European ones, promote combined and new transport modes, improve transport safety, develop environmentally friendly transport, develop a coherent, interoperable and high-quality rail network and support regional mobility. The National Action Plan for Logistics supports the country's goal to become a leading logistics hub by increasing transit and developing value-added services. Concerning sea transport, initiatives are taken to enhance shipping efficiency and maritime operations. The revision of the National Ports Strategy also seeks to upgrade port technologies. Maritime transport is vital for Greece's territorial cohesion and therefore upgrading commuting and communication between the islands and the mainland is a further priority.

#### Transports

Greece places great emphasis on creating quality, resilient, reliable and sustainable infrastructures which can contribute substantially to economic and social development, while providing affordable and accessible services for all. To this end, the Greek government has taken initiatives and measures towards the development of a National Strategic Transport Plan (NTPG). The primary objective of the NTPG, launched in May 2017, is to serve as the foundation of Greece's transport infrastructure development. It comprises a medium (2027) and long-term (2037) view and will enhance the competitiveness and growth of the transport sector.

The elaboration of the National Transport is the backbone of the national transport policy, as much in terms of planning then in terms of implementation. It plays an important role in integrating the different sectors through close cooperation among them. Transport integration implies horizontal measures across transport modes - road, rail, air, maritime - which are governed by different departments and public authorities as well as vertical measures across levels of government.

The Transport Strategy aims at:

- Promoting partial integration of the Trans-European Transport Network (TEN-T) infrastructure, road and rail infrastructure and their further development/upgrade of the TEN-T, emphasizing on road and rail interventions but also on port and airport interventions.

- Promoting combined transport modes and the modernization of their connection system (rail links to the main TEN-T ports and freight centers, road links to trans-European ports and airports in the mainland and islands).

- Improving transport safety (road safety, navigation, port and air navigation security).

- Developing environmentally-friendly transport systems (including low noise systems) with low carbon emissions including inland waterways and maritime transport, ports, multimodal interconnections and airport infrastructure in order to promote sustainable regional/local mobility.

- Developing a coherent, interoperable and with high-quality rail transport system.

#### Logistics

The Greek government attaches foremost importance to developing the Greek Logistics sector, as it constitutes a major development tool. The overarching objective is to provide effective, reliable, fully integrated and sustainable logistics services, which meets the needs of customers by improving levels of service at a competitive cost.

In this regard, the National Action Plan for Logistics, which is to be completed by 2020, supports the government's strategy for Greece to become a leading logistics hub at the European level. It will enhance sector competitiveness and contribute to economic and social development. Greece has made significant progress in attracting freight flows through Greek logistics nodes. The progress mainly concerns the transit of goods through Greek ports and especially the Piraeus Port, a significant part exported through international roads. Greece is a gateway country where goods transit between Europe, Asia and Africa, while the ports of Northeast Greece are also linked to Black Sea ports.

Achieving this objective goes beyond increasing international freight flows. It should put the emphasis on transit freight - and not transshipment - and especially on developing added value services which can create jobs in Greece. To achieve this goal,

the Ministry of Infrastructure and Transport notably promotes the simplification of transit freight handling procedures and added value services provision, the enhancement of the logistics information flow, the measurement and publication of carbon footprint for the corresponding supply chains, and the development of City Logistics practices.

### **3.1.2. The Digital Economy**

**Investing in a comprehensive national digital strategy is crucial for Greece's economic transformation and can lead to tremendous productivity gains, greatly improve of the quality of life of Greek citizens and the quality of public services. Priorities include ensuring inclusive access to digital infrastructures, accelerate the transition to high-speed internet, provide an adequate legal framework, building a modern e-government and helping economic sectors and SMEs take advantage of productivity-enhancing digital tools.**

Investing in a comprehensive national digital strategy is crucial for Greece's economic transformation and can lead to tremendous productivity gains and a number of growth opportunities. It can also improve substantially the quality of life of Greek citizens.

The Greek Government has clearly acknowledged the immense potential of information and communication technologies (ICTs), by creating the Ministry of Digital Policy, Telecommunications and Media. The Ministry elaborates and implements policies for the development of digital infrastructures, with a view to enhancing access to information and telecommunication technologies, strengthening the economy and raising its competitiveness, while promoting economic and social cohesion and inclusiveness. These overarching objectives are laid out in the National Digital Strategy (EWC) adopted in December 2016, thereby creating a roadmap and a framework for the country's digital transformation.

The Ministry focuses on delivering a smooth transition to the new digital age that ensures fair, equal, timely and effective access to the benefits envisaged by Fourth Industrial Revolution (4IR) to all citizens. Such an access to the tools of the new digital age goes to the very core of the democracy. Thus, the ultimate goal is to make the future affordable and accessible to everyone. A comprehensive strategy is also urgent to ensure Greek industries reap all the benefits of the transition to "Industry 4.0" in terms of productivity. Digital tools also have the potential to greatly improve the functioning of the Greek state, its relations with businesses and with citizens.

#### **Digital infrastructures**

The starting point of a comprehensive strategy is to aim at providing the vital infrastructures and an adequate legal framework for the transformation to take place.

Despite high broadband penetration rates, Greece lags behind its European partners for the coverage and speed of its fixed infrastructure. The Greek government plans to follow up on the Rural Broadband initiative, awarded by the EU under the Broadband Awards 2017. It is also currently working on of new broadband projects aimed at ensuring that all citizens and companies in the country have access to modern network infrastructures and achieving the connectivity goals set by the Europe 2020 Digital Agenda and by the Gigabit Society 2025.

Similarly, the Super-Fast Broadband action, with a budget of € 700 million, is planned to achieve high-speed internet (at least 100Mbps with direct upgrade to 1Gbps) for households and businesses across the country. This action will be funded from both European funds (National Programme for Rural Development and Rural Development and the Rural Development Programme of the NSRF 2014-2020) and from National Resources (Public Investment Programme). At the same time, the Ministry is planning to deploy fifth-generation networks (5G) in the country, in line with to the European Roadmap for 5G. The pilot programme will be first implemented in the cities of Trikala and Patra.



### Financing digitalization

Financing the digital transition will require the mobilization of all available resources. Structural funds can provide an essential tool in that respect. For instance, the Operational Programme «Digital Convergence» has been completed with absolute success and full absorption of resources from the European Regional Development Fund of the EU. With its funding, significant projects have been implemented, that will change the functioning of the State, contribute to the service of Citizens and Enterprises, help develop basic infrastructure and create conditions for economic development.

With regards to the enhancement of entrepreneurship and the digital convergence, the Greek government will establish a national digital convergence fund, which will primarily promote the digital transformation of the country and the digital equality of the population.

### An appropriate legal framework

Much work remains to be done to provide an appropriate legal framework. It involves regulation in a number of sectors. Specific examples of action taken by the Greek government include:

- The transposition of the NIS Directive about cyber-security.
- The legislation on terrestrial digital video broadcasters' licenses and Digital Radio Broadcasting. The Ministry issued a ministerial decision setting the starting price for each of 7 television licenses from the National Council for Broadcasting license at €35 million for 10 years.
- The creation of an institutional framework for the enhancement of audio-visual works: an institutional framework was established in order to support the production of audio-visual works in Greece through the Public Investment Programme in 2018 worth € 75million. In fact, PIP has planned to provide € 450 million by 2022.

### A dynamic e-government

Greece is taking advantage of extensive technical assistance to vastly expand the scope of its e-government. Examples include the digital platform for starting businesses, the digital platforms underpinning the new social security system, of the initiatives toward the digitalization of justice. Another specific example is the Electronic Document Handling System. As part of the National Digital Strategy, The Ministry of Digital Policy, Telecommunications and

Media has committed to completely reconsider the way digital public services are provided. It set itself the target that, by the end of 2018, the Electronic Document Handling System would be extended to all Public Administration Sectors and in the course of 2019 to the Local Authorities and the Chambers, saving around €400 million yearly. In the same vein the implementation of e-Citizens Service Centres will upgrade citizens' transactions with public services. To a great extent, Greece's digital transformation passes through a number of salient actions that need and will be taken in due time.

Firstly, a commitment to an e-Identity system to improve the security and safety of e-transactions is of vital importance. A national identity provisioning system will guarantee single sign on with unified attributes and consolidated identification numbers for each citizen.

Furthermore, an integrated demographic and civil registry data base is essential. This database will be accessed directly by citizens through the national identity provider. Each citizen will have the right also to update his/ her contract info in a central system connecting all the public organisations.

To this end, an integrated Organigram for the public sector is undoubtedly a substantial part of an efficient digital government. This organigram will be interconnected with e-identity system, which will be propagated to all e-government services.

Thus, increased information exchange between public databases will be facilitated, especially with regards to demographic, tax, social security, grants, benefits, and other types of data. An important element to note is that the GSDP national interoperability node will interconnect all public databases and systems. Data owners will be identified and be responsible for update data.

For the purposes of the effective implementation, improved data protection and privacy controls will accordingly apply in line with EU legislation and standards. Specifically, compliance of any relevant digital provisions, operations and schemes with the new General Data Protection Regulation (GDPR) has already been started.

### A key to private sector competitiveness

The digital transformation of the private sector should also constitute a priority, key to restoring and maintaining their competitiveness. Although all sectors of the economy are concerned, one example is the digital transformation of the agricultural sector. Here, emphasis is given to the digital transformation of the agricultural sector through a budget of €33.5 million. The first phase of this pioneering programme

will include 450.000 farmers, 15 million hectares of arable land and 20 crops such as cereals, rice, cotton, olives and other kinds of plants. The Ministry

is currently publishing the invitation for tenders, while the project is expected to be completed in the second half of 2019.

### **3.1.3. Energy Infrastructures**

Considering the new strategy for the development of RES under the new RES support scheme, the transformation of the domestic electricity and gas markets (Target Model, enhancement of competitiveness in retail and wholesale markets etc.), the implementation of a significant number of gas and electricity transmission projects and the Energy Efficiency Restoration of Buildings stock it is normally that Greece in the coming years will become the main pole for new investments in energy sector in the South Eastern Europe. Moreover is expected all the above to boost domestic production and industry through the reduction in production costs that will be driven by lower electricity and gas tariffs.

In particular, in order to achieve a RES penetration target of around 30% in the final gross energy consumption by 2030 (at least 50% RES share in electricity production in 2030), it is necessary to construct new RES power plants of around 3 billion € until 2020 and more than 5.5 billion € until 2030, that will significantly stimulate the Greek economy and will increase job positions, reducing respectively the unemployment in the country. At the same time, the expand of gas network across the country, apart from being an important growth project that increase job positions, will help domestic consumers to improve their economics and will increase the competitiveness of small enterprises and small industries that use thermal energy. Also, the enhance of natural gas transfer and storage projects and the significant increase of electricity interconnection capacity of Greece with neighboring countries are expected to reduce electricity costs, and therefore enhance the competitiveness of domestic industry and local enterprises, through lower electricity tariffs, which will now be able to offer cheaper products and to expand their activities through the recruitment of additional staff.

The Ministry of Environment and Energy has also established a list of short and medium-term policy priorities and proceed to the development of the National Energy and Climate Plan.

The energy industry in Greece holds a significant potential both in terms of market development and lowering of energy cost. At the same time, security of supply and diversification of energy sources remain a key priority and an important geopolitical tool.

In this context, the governmental priorities in the field of energy are:

- The commitment for the reduction of greenhouse gas emissions, securing the accomplishment of national and EU emissions targets, through the increase of RES penetration and increase of energy efficiency through building renovation.

- The increase of energy production from renewable energy sources (RES) aiming to reach the National and European targets. In specific the RES penetration is aimed to be around 30% in the final gross energy consumption until 2030, while the exact RES penetration percentage will be defined after the completion of the National Energy and Climate Plan that will be finalised until the end of 2018.

- Measures for the enhancement of energy efficiency and energy saving particular in the building sector (household and public sector) but also in the small and medium size enterprises and the industrial sector, linked to the mitigation of GHG emissions and climate change (e.g. 25,000 of building renovations annually).

- The adaptation of the domestic electricity and gas markets to the requirements of the European Target Model and European NG Codes respectively, aiming to enhance competition and transparency.

- The reduction of energy dependence through rational and sustainable exploitation of indigenous energy sources and diversified interconnections.

- Contribution to regional development through decentralized production and the participation of consumers (households, businesses, municipalities and energy communities) in energy production and markets.

- The achievement of reasonable and affordable costs of producing and selling energy products and services.

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- The tackling of energy poverty.
- The transformation of the country into an energy transit hub.
  - The reduction of dependence on imports of mineral raw materials.
  - To satisfy the need for mineral raw materials with minimum social, economic and environmental costs.

**Policy actions under implementation**

A significant number of measures are currently under implementation, concerning, among others, the interconnection with the Mainland of Non - Interconnected Islands (NII), the reform of the electricity market structure, the revision of the RES licensing legal framework, the improvement of energy efficiency and the enhance of mineral raw materials exploitation, have already be taken.

At the same time, the process for the elaboration of the National Energy and Climate Plan until 2030 (Long-term energy plan) has been initiated. The National Energy and Climate Plan will take into account the above priorities, as well as targets to be met as defined by European Union Energy and Climate policies. The first version of the National Energy and Climate Plan is expected in Q4 2018 while the final version will be published in 2019 after consultation with the EU.

**Interconnection of Non-Interconnected Islands**

The interconnection of Cycladic islands to the Mainland has already been launched, and that of Crete is in the pipeline. The interconnection of Cycladic islands will have multiple benefits as it will allow **a)** the decommissioning of the old heavily polluting diesel engines that are currently used in most Greek islands, **b)** will sharply reduce the electricity production cost, **c)** will further decrease GHG emissions, **d)** will improve air quality locally, **e)** will also help to achieve the 2030 national targets for GHG emissions, **f)** will allow for a greater RES penetration in the electricity grid (for the grids that still remain isolated this is achieved through the installation and operation of innovative hybrid systems) and **g)** will enhance the tourism activity by improving conditions in the environment. It has to be noted that a Working Group that examine the economic feasibility of the interconnection of NII with the Mainland has already been launched by RAE. The interconnection of the NII, especially the interconnection of Crete until 2023, will also allow the expansion of the wholesale electricity market and will decrease significantly the PSO costs that are charged to the consumers through the electricity bills

enhancing significantly the household income.

**New RES support scheme and enhancement of local RES production**

Law 4414/2016 revised the legal framework which governs the RES sector by introducing a new support scheme for power generation from RES and High Efficiency Co-Generation Heat and Power (HECHP) plants, through a market-based feed-in premium programme, in order to achieve the integration and participation of power stations in the electricity market in a more cost-benefit basis, relying less on high state feed-in-tariffs, to enhance the benefit of the society. Moreover, according to L.4414/2016 new RES power plants will be remunerated and installed through tendering procedures. In this context tendering procedures for the installation of 2600 MW new RES power plants, will be issued until 2020.

Further, it has to be noted that the RES legislative framework enhances local power generation through the «net metering programme», which offset the energy produced from the RES plant with the consumed energy thereby reducing electricity bills for electricity consumers.

Moreover, legislative initiatives have also been promoted for the creation of local energy communities, harmonized with the promoted redrafting of European Directives.

**Restructure of domestic electricity market**

The necessary legislative interventions for the reform of the domestic electricity market have been incorporated into the Greek legislative framework. They will enhance the coupling procedures of the Greek electricity market with the neighbouring markets of other EU countries interconnected with Greece, according to the requirements of the European Target Model.

The Ministry of Environment and Energy and the Greek Regulatory Authority for Energy (RAE) are proceeding with the design of the application of the EU Target Model on the Greek wholesale energy market in order to promote market transparency and trade security for producers and suppliers, give signals for new investments, enhance demand response and enhance the integration of RES power plants into the electricity market.

In this context, transactions will be able to be conducted, hereinafter, in four markets: energy financial market (forward market), day-ahead market and intraday markets that will operate by the Hellenic Energy Stock Exchange S.A. and balancing market that will operate by the Independent Power

### 3. Structural Conditions for Growth

Transmission Operator (ADMIE S.A.).

The main goal of the above mentioned reforms for Greece aim to enhance the competitiveness in the wholesale and retail electricity market allowing affordable electricity prices for the benefit of industrial and domestic consumers. In parallel with the introduction of Target Model and taking into consideration the EU Court decision on the Lignite case, Greece promotes the opening up of Lignite production to third parties and ensures that PPC will keep its independency and become a fully viable and competitive entity in the “new” electricity market.

Moreover, it is noted that in September 2019 the Greek authorities will assess the operation of the new electricity markets under the Target Model, the completion of structural measures about electricity production from lignite units, the impact of the sale of futures products on the electricity market (NOME mechanism), the evolution of retail electricity market shares, and the possible need for alternative policies and / or structural measures with the overall target of maximizing the benefit to consumers.

#### Infrastructure projects

The restructuring of the domestic electricity market will be accompanied by major infrastructure projects, such as:

- Replacing of existing electricity metering devices with «smart» meters (by 2030).
- The interconnection of the non-interconnected islands with the mainland (especially Crete island).
- The new interconnection line between Greece and Bulgaria (project Maritsa - Nea Santa).

It should be noted that new interconnection projects are expected to increase the current Net Transfer Capacity (NTC) from about 2000 MW to more than 3000 MW.

The implementation of the new electricity market together with the establishment of the smart tele-metering will give the opportunity to consumers to directly participate in the market through demand side response, while the energy communities are anticipated to expand in the decentralized energy production and energy supply. These new prospects will positively affect the electricity prices.

#### Energy efficiency measures

An energy efficiency obligation programme has been implemented in January 2017 requiring energy suppliers, including the transport sector, to implement energy efficiency improvement initiatives on the basis of an annual target based on their

market share. Moreover, the recent implementation of energy audits policy is also an important step forward for the improvement of industrial energy efficiency in Greece, offering the opportunity for suppliers to cooperate with industry to undertake energy audits and jointly set up and implement an energy efficiency scheme. With regard to the building sector, where there is a huge potential to implement energy saving interventions due to the high rate of building ownership in Greece, and considering that after 2010 there is limited new construction, focus is given to the refurbishment and renovation of the existing building stock in line with new efficiency obligations, e.g. improvements in thermal insulation.

At the same time, specific actions are being implemented for the improvement of energy efficiency: the implementation of the «Energy Saving at home II» programme for the energy upgrading of residences, the energy upgrade of public buildings, the improvement of energy efficiency of small and medium-sized enterprises, the enhance and the development of district heating projects, and the specification of a mandatory quota with more energy-efficient vehicles in the public sector.

#### Expand of gas network and enhance of gas infrastructure

Main goal is the expansion of natural gas in thermal uses and, in particular, to increase the use for heating and/or cooling purposes in the building sector (residential and tertiary sector). Particular care will also be given to the penetration of central heating systems as well as to increased use of natural gas for heating / cooling in industry.

The expansion of existing gas distribution networks in Attica, Thessaly and Thessaloniki is planned until 2021 while it is also planned until end of 2021 the construction of gas distribution networks to new geographical areas and in particular in Central Greece, Central Macedonia and Eastern Macedonia-Thrace. Moreover it is scheduled the development of CNG (compressed natural gas) distribution infrastructure in selected areas for the supply of remote consumers and natural gas service stations.

The evolution of natural gas use in electricity generation, which is the main consumption sector (~ 65%), depends on the operation of the electricity market and on future investments in the gas sector. It is estimated that future consumption in the gas sector will fluctuate depending on electricity demand, natural gas prices, RES penetration, and

energy balance through interconnections.

Expansion of gas use is also supported by reform actions in the retail market, such as the separation of distribution companies and supply companies. The full liberalization of the retail gas market is expected to boost interest in setting up new gas supply companies leading to a more competitive environment for the benefit of consumers.

Moreover it has to be noted that the Distribution Network Management Regulation and the Supply Code has already been issued while the Natural Gas Licensing Regulation is expected to be completed in the second quarter of 2018.

Specifically, towards the direction of the liberalization of the Greek Gas market the following actions have already been completed: the Gas release Scheme initiated through DEPA's online auctions for the period 2017 – 2020, the incorporation to the Greek framework of the European Regulations about natural gas transmission systems and the development and operation of an organized gas market including a balancing market.

Also, Greece is taking measures to open the gas market through the corporate transformation of DEPA to DEPA Networks and DEPA Commercial, which will be issued in October 2018 and will be completed in December of 2018. In parallel, the tendering procedure for the sale of a 50% +1 public share of DEPA Commercial will start in November 2018 and will be completed in autumn 2019 (September 2019) and, after completion, in November 2019, will follow the tender for the sale of 14% of the share capital of DEPA Networks.

Furthermore, it has to be noted that gradually Greece implements the European gas market target model that will ensure the establishment and operation of an efficient wholesale gas market.

The main steps for this development are the full alignment with the relevant European Network Codes, the creation and operation of a Virtual Trading Point, the creation and operation of a Balancing Platform, the operation of a regulated market and the negotiation of a wide range of natural gas products, and the upgrade of Revythousa LNG Terminal with the completion of Revythousa's expansion.

Moreover, an important element is the design and implementation of major infrastructure projects of national and international interest mainly on the expansion of the natural gas transmission systems in Southeastern Europe and the Eastern Mediterranean. Indicatively such projects are:

- The under construction sub-Adriatic pipeline (TAP).
- The Greek-Bulgarian gas pipeline (IGB).
- The new LNG Terminal in Alexandroupolis.

- The Eastern Mediterranean gas pipeline (EastMed).

- The upgrading of LNG Revythousa and the Eastern Mediterranean interconnector pipeline.

- The exploration of the possibility for the creation of Natural Gas Hub.

Finally, it is worth noting that there is a significant investment interest in Greece by private entities, as evidenced by the considerable interest of large energy groups in the privatization of DESFA and the expansion of natural gas in the energy mix (wholesale electricity market, domestic sector, transport sector).

#### Sustainable exploitation/exploration of mineral raw materials and energy minerals

Mineral raw materials and energy minerals are a national wealth of vital importance. They support the manufacturing industry, construction and agriculture, and ensure the energy supply both with traditional (lignite) and with renewable fuels (geothermal energy). However, extraction of minerals can have an impact on the landscape, the environment and the quality of life of populations living in the surrounding areas, which must be minimized by the implementation of an environmentally-responsible policy on mineral wealth at the national, regional and local level. Apart from the tendering procedure for the exploitation/exploration of hydrocarbon offshore areas, a new «Quarry framework» is being promoted. This new framework includes the overall reform of legislation for all categories of quarries, as well as a new legislative intervention on geothermal energy, aiming at mobilizing investment in this area, and in particular in exploitation of low temperature geothermal energy for uses in agriculture and heating of buildings, will be issued.

#### Imminent actions and development of the National Energy and Climate Plan

In addition to the aforementioned reforms, policies and actions, the «National Energy and Climate Plan» will include a range of interventions with a short to medium-term impact.

#### Energy mix – Electricity market

- Ensure security of supply and reduce energy dependence in combination with harmonic operation of the gas and electricity markets that will provide affordable energy products.

- Maintain of a minimum level of lignite production to ensure security of supply, address

### 3. Structural Conditions for Growth

market disturbances and achieve reasonable electricity prices. In parallel, the Greek authorities will undertake initiatives for the transition of coal regions to a “cleaner” era such as a program of land environmental rehabilitation, provision of rehabilitated areas for local growth according to a new regional development plan, the promotion of autonomous grids, the deployment of energy communities, the expansion of the gas distribution network and the installation of RES power plants, leading in such a way to kick-start a viable economic and technological transformation, reducing the CO2 allowances and increasing RES penetration in the energy mix.

- Increase of RES penetration in the energy mix.

#### Islands

- Promotion of the development of autonomous island systems with high RES penetration through the installation of hybrid power systems (RES and storage), with the capability energy communities or local communities to participate or implement these projects.

- The completion of the interconnection of 3 autonomous power systems in Cycladic islands in the Aegean Sea with Attica/Athens. In specific, the first phase has already concluded while the rest phases of the interconnection will be concluded until 2022.

- The interconnection of Crete with Peloponnese in 2020 and the interconnection of Crete with Attica/Athens until 2023.

- Interconnection of the remaining Non-Interconnected Islands with the System until 2030.

#### Energy consumption and RES

- Emphasis on replacing oil for heating with RES heating/cooling systems (solar, geothermal, biomass and biogas).

- Increase of electro mobility through the installation of charging points in national highways, urban centres and Non-Interconnected Islands.

- Reduction of oil consumption in the transport sector, which contributes to 41.6% (6.47 Mtoe) of

final energy consumption.

- Simplification of the RES licensing processes and review of the environmental impact assessment framework to provide simultaneously a stable framework for investments security and environmental protection.

- Revision of the National Special Spatial Plan for Renewable Energy Sources that define where, and under which conditions, a RES project can be located.

- Further exploration and deployment of RES technologies, beyond mainly solar and wind, with a high potential in Greece (e.g. geothermal, biomass).

- Launching of tendering procedures for the installation of new RES power plants according to the national targets of RES in the energy mix.

#### International projects

- Support of the under construction sub-Adriatic pipeline (TAP), the Greek-Bulgarian pipeline (IGB), the new LNG Terminal in Alexandroupolis, the upgrading of LNG Revythousa and the Eastern Mediterranean interconnector pipeline. Additionally, the Government examines the creation of one modern gas storage infrastructure that will allow to meet the medium term natural gas needs in times of high prices, posing alongside the basis for creating a Natural Gas Hub.

- The expansion and strengthening of domestic and trans-national electricity transmission systems (e.g. Greece-Bulgaria through Nea Santa-Maritsa line, as well as Euro-Asia Interconnector project that will electrically connect Greece, Cyprus and Israel).

#### Mineral Raw Materials and Energy Minerals

- Planning of a Special Spatial Plan for mineral raw materials.

- Restarting of quarrying and mining activity, with a balance between the public interest and private sector, through transparent and competitive procedures.

- New international tendering procedures for the exploitation/exploration of hydrocarbon offshore areas.

**3.1.4. International Dimension of Infrastructures and Networks Development**

Greece occupies a strategic place in the region, and its role will be key in fostering co-development with the Balkan countries. The country is at the cornerstone of the regional integration, and the Government will take initiatives and intensify efforts to develop these interconnections. Priorities include the development of road and rail links from Greek ports to the Balkans and Europe, the reduction of trade delays, and the ongoing transformation into a regional energy transit hub, with numerous pipeline and electric integration projects.

The growth strategy taking into account the opportunities and duties arising from the country's regional environment, with the aim of developing political, social, economic and investment conditions favourable to regional development and prosperity. After a period of introversion due to the economic crisis, the Greek government has taken action to promote future economic co-development, security and prosperity in the sensitive area of the Balkans, by exploiting the country's comparative advantages (political stability, important geostrategic position, energy and transport hub, member of the EU and NATO).


**Co-Development of the Balkan countries**

Recent developments in international relations require enhanced regional cooperation, which should include critical international policy areas such as security, migration, environment and climate change, transport networks, natural resources efficiency, health, as well as energy security and supply. The strategic aim of regional cooperation should be to promote prosperity for the people and «co-development» for the economies of the region. Greece is called upon to play a role in the Western Balkans that is disproportionate given its size in the EU. This will include working towards socio-economic development, peace and prosperity, European orientation and EU membership of Western Balkan countries.

At the same time, as it implements Objective 17 of the UN SDGs for «Objective Cooperation» in coordination with International Organizations, Greece will promote innovative actions in the areas of regulation and regional institution-building to ensure transparency, efficiency, interconnection and information for both public administrations and the business community. The Greek Government will take action to improve the effectiveness of institutions, in order strengthen economic and development

policies. The Greek Government is also committed to come forward with a series of initiatives to promote and defend common European values in the region: democracy, rule of law, freedom of the press and freedom of speech.


**Promoting cohesion in the region through interconnectivity**

The Greek Government will take initiatives and intensify efforts to develop the essential interconnection infrastructure of the Balkan countries. The modernization, interconnection and convergence between similar economic activities in the Balkan countries could be the real added value and a foundation for future development. In this respect, Greece has four strategic priorities. Firstly, the development of the regional transport infrastructure. Secondly, its promotion as an “international freight hub” to the benefit of all Balkan countries. Thirdly, the elimination of cross-border delays. Fourth, the development of energy interconnection.

**A. Transport Links**

With regard to road and rail links, the Greek Government will intensify efforts to upgrade the infrastructure from the ports of Piraeus, Thessaloniki and Northern Greece to the Balkan inland and Central and Eastern European countries. Regarding road networks, our priorities are:

- Road Axis X, and in particular the modernization of Rail Axis X connecting Thessaloniki, Skopje, Belgrade, Zagreb and Budapest.
- The Pan-European Corridor IX connecting Alexandroupolis port with Bulgaria, Romania, Ukraine, the Baltic Sea and Russia.
- The new Adriatic - Ionian Corridor via the Western Balkans, connecting the port of Igoumenitsa with Bar in Montenegro.

Meanwhile, the modernization of the Greek and Balkan railway networks and in particular the

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connection between Alexandroupolis and the Adriatic Sea (Egnatia Railway), will further enhance the competitiveness of Piraeus, Thessaloniki, Alexandroupolis and other Greek ports. These integrated transport hubs will significantly increase the ports' access to wider markets.

#### B. Freight Transport

Greece can play a leading role as an international freight centre to the benefit of the wider region. Logistics is one of the most important sectors of the Greek economy and an important source of income, wealth and jobs. The Greek authorities will accelerate the implementation of a national strategy which aims to turn Greece into a regional "logistics hub". In addition, our country will be able to develop support services with added value (repackaging, partial processing, etc.).

#### C. Non – physical obstacles

The third area relates to the reduction of non-physical obstacles at the borders. The Greek

authorities will intensify efforts to implement initiatives that reduce trade delays that affect the cost and quality of products.

#### D. Energy Interconnection

The fourth strategic priority relates to the energy sector and to the ongoing redesign of the energy map of SE Europe and of the Eastern Mediterranean. Regional developments in hydrocarbon exploration are affecting capacities and opportunities and realigning priorities. The Greek government will intensify efforts to turn Greece into an energy transit hub, but also an energy producer. Important projects have been launched such as the TAP pipeline, the IGB pipeline, the planned LNG floating terminal in Alexandroupolis, the upgrading of the electrical interconnection with Italy (with its vertical connections) and other projects under development to supply the Balkan region and ensure energy security.

## 3.2. Management of State Assets

The Greek Government is implementing major reforms in the field of public asset management to promote transparency, efficiency, social and territorial cohesion, contribution to development targets and high-quality services to citizens. A flagship reform has been the creation of the Hellenic Corporation of Assets and Participations. While it holds the shares of the largest SOEs, it has to assess their management and render them accountable, transparent and efficient. The Greek State has already approved the corporation's strategic plan until 2022. Regarding real estate property, the state continues its reform agenda, with the creation of the digital Real Estate Registry (RER). Estate of the Social Security and the Public Employment Agency will be relocated to revitalize some areas.

### Transparent and efficient management of Public Property

The Greek State is the owner of significant assets divided in two main categories: participations in state-owned enterprises (SOEs) and real estate property. The efficient management of these assets, towards meeting the strategic objectives of public interest set by the State, can play an important role in the process of restructuring the Greek economy. Its advantages can be both direct and indirect: the minimization of deficits, or the generation of positive (or further positive) cash flows and the creation of economic externalities which promote the development of the

economy as a whole.

With a deep understanding of the importance of public wealth, the Greek Government is implementing major reforms in the field of public asset management, aiming to promote transparency, operational & financial efficiency, social and territorial cohesion, as well as the contribution of public assets to the overall development targets of the State and high-quality services to the Greek citizens.

One of the biggest reforms of the past years was the creation of the Hellenic Corporation of Assets



and Participations (HCAP). HCAP represents an institutional effort towards a more accountable and transparent management of state owned assets and participations, an issue many countries dealt with during the last decades. The corporation was founded in May 2016 as per its founding law 4389/2016, whereas its Board of Directors constituted into a body in February 2017. HCAP brings under a single roof the most important State-Owned Enterprises (SOEs) referred to in the law as “Other Subsidiaries” which used to belong directly to the State, as well as the “Direct Subsidiaries” which are the following:

- The Hellenic Republic Asset Development Fund (TAIPED), responsible for the implementation of the country’s privatization plan aiming to generate revenues for public debt reduction as well as to create multiple longer term benefits from successful privatizations through capital invested, strategic partnerships, knowledge transfer and in general enhancement of competitiveness and extroversion. The privatisation plan is ongoing, and already in 2018 a number of competitive tenders have been concluded successfully.

- The Public Property Company (ETAD), responsible for the management and exploitation of the private real estate properties of the State, with the aim to generate revenues for the State as well as to contribute to economic development in key sectors such as tourism and agriculture, across different regions of the country, where the real estate properties are located.

- The Hellenic Financial Stability Fund, responsible for managing the state’s shareholdings in the systemic banks.

Overall, the contribution of HCAP to the country’s economic development effort is considered strategic and it is envisaged in four ways:

1. Through the revenue it generates, 50% of which will be used for debt repayment and the remaining to be used by the Greek State for investments in the national economy or by HCAP for investments in some of its SOEs, according to its founding law.

2. Through the assessment and reorganization /transformation of the SOEs with the criteria of operational efficiency, resources use optimisation, innovation and improvement of the services provided to citizens.

3. Through the use of real estate as described in the Growth Strategy.

4. Through strategic partnerships and knowledge sharing with relevant international Public Asset Management Organizations, International Organizations such as the EIB and the OECD, Universities and Research Bodies, Technological Centres, etc.

### State Participations

HCAP’s role in holding shares in some of the country’s largest and most strategic SOEs, entrusts it with a major responsibility: to assess the management and business models of public companies and render them, accountable, transparent and efficient in delivering their public mission and quality services. To this end, HCAP puts forward a Strategic Plan, taking into account the strategic guidelines of the sole Shareholder. The initial Strategic Plan has already been prepared by HCAP and approved by the General Assembly in January 2018 and includes detailed companies’, sectors’ and benchmark analyses with the aim of setting the overall strategic approach for better management and exploitation of the assets in its portfolio. It also deals with matters of corporate governance best practices as well as appropriate reporting framework, including details on financial and budgeting reporting obligations.

According to the Strategic Plan, in the short term HCAP will:

1. Define the strategic priorities, as well as challenges to be addressed by the SOEs, together with the adequate reporting lines by the SOEs to HCAP (i.e. in terms of financial reporting, corporate governance compliance, etc.).

2. Assess and monitor the implementation of updated business plans that were submitted to HCAP by the respective SOEs, and which include actions for pursuing specific qualitative and quantitative targets as well as KPIs to be monitored by HCAP. Among such targets are operational efficiency and effectiveness, transparency and accountability, financial performance improvement and dividend yields as well as overall better prospects for competitiveness and growth.

3. Assess the need for reforming the SOEs’ business models and organisational structure and co-operate with SOEs’ BODs to that end.

4. Set short term achievable results to contribute to value creation and revenue increase.

5. Evaluate the SOEs’ Board Members and replace them with new members, where deemed necessary.

6. Strengthen the SOEs’ corporate governance procedures in line with OECD principles.

7. Amend the statutes of the SOEs to align them with Corporate Law.

In the medium term, HCAP will:

1. Strengthen the internal audit and risk assessment functions.

2. Prototype the relationship between the State, HCAP and the SOEs, for reasons of SGEIs assignment and for the rolling out of the Coordination Mechanism, among others.

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3. Request, as deemed necessary, business plan updates and monitor the SOEs in relation to critical issues as well as opportunities and modern trends for value creation, including investments in infrastructure and new technologies, supply chain optimization, innovation, synergies amongst different sectors of the economy, potential strategic corporate partnerships, etc.

4. Identify and assess alternative funding options (other than the state budget) and improve the SOEs' capital structure.

5. Provide modern and high-quality services to customers at competitive cost.

6. Set medium-term targets for improving performance, contributing revenues to the State and enhancing the long term value of its assets through assessing different options and structures for exploitation and development of the assets.

In the long term, HCAP will:

1. Continuously improve the capital structure of the companies as the economic environment improves.

2. Create administrative transparency and accountability, as well as independence, at all levels. Consult with all stakeholders and improve the functions and services through consultation.

3. Enhance corporate social responsibility, as well as environmental footprint.

4. Promote Innovation and New Technologies.

The government's long-term goal is for HCAP to become a growth tool for the Greek economy, both through the creation and leverage of investment resources, and through its participation as deemed appropriate, in the national and sectoral development policies.

#### ETAD

A major part of the corporation's activities is related to the management of the private real estate property of the state. With the establishment of HCAP, ETAD became one of its direct subsidiaries, with a portfolio of approximately 70,000 assets, making it one of the largest real estate companies in Greece. ETAD is the owner of flagship real estate, such as the Olympic Assets and the properties of the National Tourism Organization (EOT), including among others the former Xenia hotels, the marinas of Alimos and Thessaloniki, and five ski resorts.

Based on the shareholder's guidelines, and HCAP's management initiatives:

1. HCAP, in cooperation with ETAD, is proceeding with ETAD's reorganisation in order its organisational structure to be more effective in implementing its strategy.

2. As a matter of priority, ETAD will focus on the due-diligence of the property transferred to it.

3. When the property is accurately captured, it will organise it using the criterion of maturity, in order to create a more detailed development plan. This development plan will include short, medium and long term targets, depending on the maturity level of the assets.

4. Moreover, the company will undertake all necessary actions so that assets classified as of low maturity, become mature for further development or return to the State, if deemed non-exploitable. In the past years, no similar serious effort has taken place, resulting in scattered databases and files with fragmented information.

5. Once the necessary due diligence is conducted, the company will be in a better position to undertake investment initiatives such as sales and long-term concessions, and/or other investment / funding schemes.

6. The State has already adopted the required tools, in order to perform new iterations of evaluation for its property and transfer to ETAD assets that fit its scope.

7. Apart from the harmonization and maturation of its real estate portfolio, ETAD will be also taking all necessary actions to monitor and homogenize its existing lease and concession contracts in order to optimize exploitation and revenues streams.

#### TAIPED

TAIPED was founded in 2011 with the scope to implement the country's privatization plan and contribute resources for the repayment of public debt. The privatisation plan for which TAIPED is responsible, is depicted in its "Asset Development Plan" (ADP; Annex 2 of the present document) that is endorsed by the Governmental Council of Economic Policy (KYSOIP) and published on its website.

HCAP has the following priorities for TAIPED:

1. To amend TAIPED's internal regulation in order for it to reflect the main principles of HCAP's internal regulation.

2. To assess and re-design (if necessary) of the company structure. This will be done on the basis of better ADP management and implementation.

3. To create solid reporting lines between TAIPED and HCAP through which TAIPED should communicate among others, detailed studies about the benefits achieved by the execution of specific transactions related to its ADP.

4. To activate the, idle until now, department of management since this is deemed necessary for speeding – up the process of key upcoming privatisations.

### The state's role

Although the management of an important piece of public property has been entrusted to HCAP, the state remains the direct owner of smaller SOEs and public organizations, as well as real estate property. For a number of smaller SOEs and organizations, horizontal policies will be developed within the next year, setting common and transparent strategic and operational criteria.

Moreover, as clearly described in HCAP's founding law and internal regulation, the Strategic Policy guidelines for HCAP's portfolio, will continue to be delivered by the State, while the corporation's management is envisaged to act independently, following a specific set of pre-defined rules in order to guarantee its efficient implementation. One of the key provisions in HCAP's legal and regulatory framework is relevant to the articulation and approval of the corporation's Strategic Plan. This is based on the policy guidelines addressed to the Board of Directors by the Minister of Finance. The Greek State, remaining committed to its reform initiatives, has already approved the corporation's strategic plan for the period 2018 -2022. On the SOE level, the state has adopted a Coordination Mechanism, as part of the corporation's Internal Regulation, which among others will be used to solidify the reporting lines between the SOEs transferred to HCAP, the corporation's management and the state. Furthermore, the Coordination Mechanism prototypes the commissioning procedures of the Services of General Economic Interest (SGEIs) entrusted to the SOEs, creating also an evaluation framework for Services already commissioned. This will result in the transparent delivery of SGEIs, creating financial and economic outcomes both for the state and the companies themselves.

Regarding the real estate property, the state is committed to continue its reform agenda, with the creation of the Real Estate Registry (RER), within the framework of the digitalization of the public administration initiative. The effort, focuses on the RER being a timely geographic and descriptive register, linking the public property databases of all Ministries. At the same time, the RER interconnects with all the digital public databases (either already in service or under development), information systems such as the Cadastre data (Cadastral Charts, Italian Cadastre, Forest Maps, Orthophoto Maps), the Army Geographical Service, ELSTAT, but also "e -poleodomia" that generates digital data about special settings - terms and building restrictions. This registry, will be used as a comprehensive tool both for the efficient development of the property

managed by the state, but also for the property that has been transferred to HCAP, since with a use of such a tool any legal or technical obstacles could be quickly overcome.

Furthermore, the Central Management Committee for the Development of the Public Property (KSDADP) which has been established, will play a crucial role in the development of the real estate property. The Committee is a tool for the Greek State, both for the development of public real estate for reasons of public interest, but also for the protection of the cultural and natural heritage of the country.

### Real Estate Development of Social Security Institutions and Public Employment Agency (OAED)

Social Security Institutions (FKA) and OAED count in total 1,126 properties across Greece, 58% of which (650 entries) are located in Athens Metropolitan Area and 23% (256 entries) in the Historic Centre. In total, these properties cover a built surface of 1.160.000 sq. meters.

The recession in the real estate market in Greece during the last decade, has had a direct impact on the properties of Social Insurance Institutions and Public Employment Organization. A significant part of these institutions' assets remained inactive thus contributing negatively to the crisis of the Greek city centres, as part of a "domino" effect: due to the severe degradation of these areas, in which the inactivity of these properties also had a negative impact, the land prices collapsed, and this led to commercial and tourist businesses closure, a result which further affected the relevant areas. The result of the overall recession was the increase of closed stores and office buildings to a percentage of 40-70% in central urban regions.

The inactivity and eventual devastation of the FKA and OAED properties is estimated to have caused, according to the 2010-2016 data, losses of approximately 420 million euros in land value and a corresponding loss of 16.000 jobs.

Since June 2017, the pilot project for the recovery of the properties of the Historic Centre of Athens has been launched. Its aim has been to reverse the negative impact, the recovery of the lost revenues and values and the creation of a positive impact on the wider land market. For this purpose, a plan of strategic land uses based on urban planning standards for historical city centres using previous experience in Athens and in other European cities. Its goal is to promote Athens city branding with parallel

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economic and social return through city-friendly touristic, commercial, service and housing land use. At this point, it has to be mentioned that for the first time the Ministry of Labour, Social Security & Welfare has a complete and unified database for its properties. Meanwhile, it has begun the completion of the open web database platform for those properties.

The programme targets to economies of scale through the relocation of services of the wider public sector that could lead to the revitalization of some areas. It targets also to the private sector for metropolitan strategic uses. The programme is planned to be extended to the city of Piraeus for around 30 properties, most of them in the city's seafront and to the city of Volos in large former industrial properties, in collaboration with the University of Thessaly.

For the methodology and the implementation of the programme, the extremely unstable property market until 2016 has been taken into consideration, along with the previous chaotic status of unknown properties and building stock with significant different qualitative and quantitative characteristics that the SSI own.

The program is based on the following steps:

1. Prototype documentation and a complete a unified database for the properties of Social Security Institutions and Public Employment Agency. This step has already been implemented.

2. Open web database platform for the properties.

3. New Law 4430/2016, article 50. Real Estate Development of Social Security Institutions. This step has already been implemented.

4. Pilot project for the recovery of the properties of the Historic Centre of Athens. Initial goal: Rapid (test) activation of the development procedure in 10% (24 out of 250) of the properties in six months' timeframe through two Calls targeted to the wider public sector and the private sector. Contracts' signing procedure in six months' timeframe.

5. Property evacuation from unused archive services, warehouses etc. Transfer to unified archives and warehouses in non-commercial real estate properties.

6. Economies of scale through the relocation of services of the wider public sector.



## 4. Fair and inclusive growth

After nearly a decade of falling standards of living, of rising poverty and inequality between people and between regions, Greece will need to address the harsh consequences of the crisis. Therefore, ensuring fair and inclusive growth is equal in importance to fostering growth. Tackling poverty is also important for growth in terms of social and human capital formation. In line with the European Pillar of Social Rights as well as the Sustainable Development Goals, Greece seeks to ensure all of its citizens have equal opportunities and access to the labour market, enjoy fair working conditions and that the state provides social protection and universal access to health services of good quality. The reform of the educational system will also serve the needs of the new growth model while fostering a reduction in social inequalities. In addition, the Greek state recognizes its youth as key to the country's future and seeks to put them on top of the economic and political agenda.

The Greek government is implementing policies aiming at fostering the development of productive, yet sustainable, initiatives, based on social, environmentally friendly and cooperative economic values. Initiatives include for instance a new institutional framework and set of rules

for developing an enabling environment for the Social Economy. At the same time significant effort is devoted to promoting investment and innovation related to improving resource efficiency by promoting the reuse of secondary materials and waste and developing a national Action Plan on the Circular Economy that will include both funding and appropriate incentives for enhancing knowledge, fostering business opportunities and creating effective governance structures, which will support the country towards a new economic model with sustainable production and consumption patterns.

The overarching objective is to ascertain that the growth strategy will reinforce Greece's national cohesion and reduce regional inequalities. To this end, the Regional Conferences on Production Reconstruction play a crucial role for the development of national policies.

Meanwhile, a comprehensive set of island policies is being implemented, with its main actions focusing on inclusiveness, balanced economic development and sustainability: improving access to islands through enhanced transport networks, ensuring efficiency with smart water and waste management as well as coastal protection, upgrading infrastructure and ensuring sustainable access to energy, increasing

#### **4. Fair** and inclusive growth

access to digital services, developing farming and fisheries as well as enhancing access to public health care.

In addition to the above-mentioned policy initiatives it is important to highlight the important role of education in achieving sustainable growth that will promote reduction in social inequalities and the development of high value-added economic activity supported by a skilled workforce. The main objectives are the modernisation of educational structures, the improvement of the educational outcomes and the integration of graduates into the labour market. This is achieved by interventions at all levels of education, including Vocational Education, with the aim of bridging the skills mismatch, improving productivity and reducing unemployment.

In this effort to improve the economic environment in Greece, one should not disregard the importance of Health Care services. It is important to ensure equal and universal health coverage for all citizens, since this is a vehicle for lifting them out of poverty, reducing inequalities and contributing to improving quality of living. An important caveat in this effort is ascertaining that the health care system operates efficiently and effectively by ensuring transparency and accountability.

As well as health care, an adequate net of social

protection is important for reducing inequalities and ensuring social cohesion and by extension creating a framework that fosters growth. In this direction major reforms that have already been introduced and are continuously being improved are the creation of a Unified Pension System and the introduction of the Social Solidarity Income. The combined effect of these reforms is a better management of scarce public resources and improvement of (in many case) dire living conditions. At the same time, integrating the principles of a modern digital welfare state, will address past weaknesses and render social protection more transparent, fair and inclusive.

Finally, it is important to note that targeted initiatives will be implemented that aim at helping young people in Greece, which have been most severely affected by the crisis. Youth unemployment rates is structurally high, and it nearly tripled during the crisis, while the high NEET share, especially among youth that entered the labour market during the crisis, demonstrates the risk of a "lost generation". In order to combat this, initiatives aiming at providing a fair and qualitative education-training-apprenticeship, ensuring decent work for youth and encouraging youth entrepreneurship, enhancing their health and wellbeing and ensuring youth participation in decision-making, will be implemented.

## 4.1. Promoting a Socially-Oriented Economy

### 4.1.1. Building an Ecosystem for Social Entrepreneurship and Cooperatives Initiatives

The Greek government is implementing policies aiming at fostering the development of productive yet sustainable initiatives, based on social and cooperative economy values. Some legal initiatives have already been taken. In 2016, a law introduced a new institutional framework and set rules for developing an enabling environment for the Social Economy. In 2018, Energy Communities were legally established and operationalized, with a view to promoting social and solidarity-based economy, innovation in the energy sector and co-design of projects with the strong involvement of local communities. Moreover, the Government is implementing microfinance policies to develop microfinance activities, as a secondary financing market that can support SMEs and other socioeconomic groups.

The Greek government is implementing a series of policies aiming at the establishment of a favourable environment for the development of productive yet sustainable initiatives, based on the values and objectives of the social and cooperative economy. This sector's growth potential is considerable given that thousands of well-performing social and cooperative enterprises existing in other countries, such as France, Italy, Spain and North America, contributing sometimes up to 10% to the national GDP. Nevertheless, in Greece, the social and cooperative economy sector contributes less than 1% to national GDP. The ecosystem of SSE in Greece is at a very early stage but significant interest and mobilization exists throughout the country. The number of social economy entities is growing - currently about 1,000 entities are registered in a wide variety of activities, also in the fields of environment and energy - underlining the large potentiality for growth and development.

#### A new institutional and strategic framework

The development of social economy is a horizontal and strategic priority of the Government, as it contributes to inclusive economic development, while combating unemployment and social exclusion and promoting economic democracy. Law 4430/2016 introduces a new institutional framework – an evolution of the “Social Cooperative Enterprises” - and sets rules for developing an enabling environment for the Social Economy for all citizens and productive activities. The law also establishes the Special Secretariat for Social and Solidarity Economy (SSE), the first distinct administrative unit in the sector.

Meanwhile, a comprehensive and holistic “Action Plan for the development of the Social and Solidarity Ecosystem 2017-2023” has been developed, mainly financed by the NSRF, with a total budget of € 170,712,554 from 2 European Social Fund Sectoral Operational Programmes and 13 Regional Operational Programmes. The first action funds support actions by up to 100 SSE Support Centres (at least one in each ex Prefecture) and will be activated in the 3rd quarter of 2018. The Support Centres should be SSE entities themselves in order to create a supporting ecosystem “from within” and will act as «information points» as well as advisory services providers for potential and existing SSE actors. The Call for Support Centres will be closely followed by several calls for subsidies for SSE entities at various levels of development (fully subsidized seed capital for new SSE entities or partly subsidized capital for SSE entities at more mature levels of development).

At the same time various actions for the deployment of financial instruments complementing the support and subsidies actions are being developed. The first deals with the establishment of the SSE Sub-Fund under the Entrepreneurship Fund II (TEPIX II), managed by the Hellenic Fund for Entrepreneurship and Development (ETEAN) with an initial budget of € 10m in order to provide microloans up to € 25,000 to SSE entities, which will be activated by the 3rd quarter of the year. At the same time and in order to create a SSE Fund Institution as stipulated in L. 4430/2016 a support and cooperation agreement is being finalized with the European Investment Bank and will be initiated in the 2nd quarter of the year. Finally, regarding financial instruments and in cooperation with the Deposits and Loans Fund and funding from the National Public Investment Programme, an action is being developed for the

provision of guarantee deposits to SSE entities in order to facilitate their participation in public tenders which will also start by the 2nd quarter.

The action plan is complemented by Systemic Interventions for the development of the SSE Sector and actions under the Technical Assistance of the European Commission. These actions run in parallel to the ones described above, such as the first National SSE Exhibition (EXPO KALO 2017) which was held in order to extend the visibility of the sector last November and inaugurated by the Prime Minister himself. The EXPO succeeded in bringing together and demonstrating the achievements of over 150 SSE entities from various sectors such innovative Information Technologies as well as more traditional artisanal craft products. The National EXPO is intended to be repeated annually and complemented by regional EXPOs replicating the

effective model tried last year in Athens. Finally, the first Annual Report (2017) was issued describing the state of sector with actual data from the SSE registry as well as the Action Plan for the Development of the Ecosystem of SSE.

### Energy communities

Law 4513/2018 recently established and operationalized Energy Communities, with a view to promoting social and solidarity-based economy and innovation in the energy sector. These communities will help tackling energy poverty, supporting energy sustainability, production, storage, self-consumption, distribution and supply, enhancing energy self-sufficiency and security in island municipalities, and improving energy use efficiency at the local and regional level.

## 4.1.2. Greening the Economy

“Greening” the economy presents an important potential to foster growth, investment, the creation of jobs and SMEs. It will reduce carbon footprints and emissions, improve resource efficiency, the reuse of secondary materials, innovation and investment in new technologies, the development of new skills and the utilization of talent, knowledge and research at home and the strengthening of the social economy. The priority actions of the national “Action Plan on Circular Economy” include lifting bureaucratic constraints, the earmarking existing funds and the increase of incentives for businesses, the enhancement of knowledge and awareness, as well as the establishment of flexible and conducive governance structures. A portfolio measures to promote waste management and recycling are also being implemented. Meanwhile, business involvement in sustainable practices will be encouraged, including through sustainable public procurement and fiscal and financial incentives. An interministerial Joint Expert Group on «Circular Economy» was also established to promote a set of priorities defined and coordinate the actions needed.

The shift to a circular economy constitutes a key priority for Greece and an integral part of the Growth Strategy. Circular economy is well-adapted to the characteristics of the Greek economy and industry and has a clear regional, to local dimension, adding value to the whole lifecycle of products. Investment in waste management and circular economy is also reducing the fines that Greece is currently paying for not respecting EU environmental legislation for illegal landfills and hazardous waste management.

### Developing the Circular Economy

A national “Action Plan on Circular Economy”, including short-term interventions and long-term priorities, has been endorsed by the Government Council for Economic Policy (KYSOIP) in early 2018.

It is consistent with the 2015 European Action Plan for the Circular Economy and the 2030 Agenda for Sustainable Development. The priority actions envisaged by the national “Action Plan on Circular Economy” for 2018 relate to:

- Regulatory and legislative interventions to lift bureaucratic constraints and create the enabling environment for the application of circular economy principles.
- Earmarking of existing funds from various sources, to finance the interventions as well as pilot and large-scale projects, and to increase fiscal and financial incentives for businesses to use secondary materials and invest in frontline technology towards maximum recycling, reuse and industrial symbiosis, support to decarbonisation.
- Further enhancing knowledge, education,



awareness and cooperation among producers, scientists, consumers and the general public.

- Enhancing governance structures for fostering the transition to circular economy.
- Moreover, common results indicators will be introduced in order to monitor and assess progress towards the development of the circular economy, as well as their contribution to the achievement of broader policy goals and targets, as outlined in SDGs.

### Waste management & Recycling

Waste management (solid waste and wastewater) has been a longstanding challenge for Greek cities, for shifting from obsolete practices like landfilling towards reuse and recycling, with sorting at the domestic level/at source. The “National Plan for Waste Management” (2015) and its “National Strategic Plan for Waste Prevention” are already under implementation. Combined with 13 “Regional Waste Management Plans” and the “National Plan for Hazardous Waste Management” (endorsed in 2016), they provide the overall legislative framework to enable circular economy in the field of waste management.

Additionally, a new Recycling Law (4496/2017), has been endorsed in November 2017 to fully align previously existing legislation (Law 2939/2001) with circular economy principles. Law 4496/2017 aims at the optimal operation of recycling systems, based on Extended Producer Responsibility schemes, which guarantees that necessary financial resources are channelled into improving recycling quality and quantity. The Law enhances the role of local authorities and stimulates social entrepreneurship through incentives towards municipalities and citizens. The Law will stimulate the application of innovative technologies, the creation of a secondary materials market and generate employment opportunities for high-skilled personnel in the field of circular economy. This action will also result in reducing the penalties that Greece is paying for non-respect of environmental regulations (illegal landfills and hazardous waste management).

The frameworks for the establishment of Energy Communities, of Green Points and the provisions for markets of secondary raw materials and the legislation for plastic bags are also relevant to the promotion of the ‘circular economy’ paradigm.

Structural Funds have a major role in developing decentralised infrastructure for waste management and supporting sorting and recycling schemes. A significant amount has already been allocated in the current programming period (2014-2020) for infrastructure development. Other financial

instruments, such as Horizon 2020 for large-scale innovation projects, the LIFE programme and EFSI can also support implementation and good practice.

Greece actively promotes the adoption of the European Eco-label for products and services that have a smaller environmental impact throughout their life-cycle.

The National Digital Waste Registry, which has been operating from the beginning of 2017, improves data collection and enforcement and can be further used to identify opportunities for secondary raw material markets.

With respect to the promotion of sustainable public procurement practices, Greece wants to speed up processes and actions to catch up with other European countries. To this end, the National Committee on Green Public Procurement was re-established in June 2017 to promote the use of international standards and the development of national standards for the environment, waste and circular economy. It will also monitor participation in international and European standardization activities and assess domestic needs for standards. A second Interministerial Working Group has been established to work on the issues of food waste.

### Upcoming strategic and mid-term “green” priorities

- Development of new standards for sustainable buildings and infrastructure, aligned with circular economy and climate resilience concepts - design, construction, use, demolition, material recovery and reuse.

- Establishment of regional markets for secondary raw materials.

- Integration of life cycle analysis and of environmental and carbon footprint criteria in the techno-economic and environmental assessment of public and private investments and products.

- Introduction of fiscal and financial incentives for businesses that apply/invest in frontline environmental and climate-friendly technology which improves performance beyond applicable standards.

- Introduction of ‘circular economy’ criteria in the Development Law to prioritise and support the corresponding investments.

- Development of standards for the use of compost from organic waste.

- Creation of the regulatory framework for the production of bio-methane (green gas) from organic waste and further use (injection in the natural gas network or use as alternative transport fuel).

**4. Fair and inclusive growth**

- Enabling and supporting the wider use of secondary alternative fuels in the industrial sector, to reduce the environmental and carbon footprint of production.
- Investments for industrial and urban wastewater reuse for irrigation (e.g. urban green, peri-urban agriculture) or for industrial and port uses.
- Establishment of “Green Resource Centres” at local level that will encourage repair, reuse, exchange,

training in repair and reuse processes, etc.

- Implementation of new business models for industrial symbiosis, recycling and product life extension.
- Establishment of a permanent ‘Circular Economy’ Dialogue Forum with industry, businesses, SMEs, researchers, social entrepreneurs, etc.

**4.1.3. Strengthening the sustainable management of natural resources for local growth and resilience**

In the past, the natural environment was often regarded as a barrier and constraint to growth and development. In turn, this has led to the proliferation of practices that have endangered the country’s natural assets and gradually contributed to the decline of locally important economic activities (e.g. in agriculture, forestry and fisheries).

The new strategy recognises that Greece’s natural capital and environment as a factor essential to the country’s economic growth, which should be protected sustainably managed, to provide new opportunities for employment, prosperity and quality of life for all citizens.

**Forestry**

Forests and forest areas cover about 2/3 of the Greek territory, and have nonetheless remained a largely untapped resource, threatened by urban expansion, forest fires and the impacts of climate change.

After almost 40 years of delay, the Greek State is in the process of developing and ratifying forest maps for the whole of the country. Already forest maps have been ratified for 32% of the Greek territory, and the project will have been completed by the end of 2020. The delineation of forest areas has already significantly reduced economic and bureaucratic burden for new investments and infrastructure, helping to resolve conflicts over land use and speeding up environmental permit and installation permit procedures.

Further on, in April 2018, the Ministry of Environment and Energy launched an open dialogue for the development of the Greek Strategy for the Sustainable Management of Forests. The Strategy, which will be completed by the end of 2018, will span a 20-year time horizon, and will aim at increasing the contribution of forest areas to 1% of the country’s GDP, with new economic opportunities in agriculture, animal husbandry, eco-tourism and forestry.

**Management of protected areas**

The management of protected areas and biodiversity is moving to a new era. In December 2017, the Greek Government established additional protected areas and refined the NATURA 2000 catalogue, in line with the EU legislation, ensuring the protection of fragile marine ecosystems. Law 4519/2018 ensures for the first time that all 446 protected areas of Greece are under the supervision and monitoring of a local official management body. The 36 Management Bodies, established through Law 4519/2018 have also been offered a new role, supportive to sustainable local growth and social entrepreneurship, e.g. through their involvement in the branding of local products, or to eco-tourism activities.

Greece is also proceeding with the regulation of land use and economic activity in protected areas, through the elaboration and ratification of the much delayed Presidential Decrees and the development of management plans for all the Natura 2000 sites. This mega-project of 17.5 million Euro will have been completed by the end of 2020, finally clarifying the framework for allowed land uses and economic activities in protected areas and aligning local development with biodiversity conservation objectives.

### Water resources management and water services

Water is a public good, essential to quality of life, healthy ecosystems but also to important economic activities. Water scarcity, particularly in insular areas, deterioration of water quality due to pollution and over-abstraction, and delays in investments in water efficiency and wastewater treatment are problems faced in many parts of Greece. The ratification of the country's 2nd River Basin Management Plans (RBMPs) in December 2017 has provided an integrated framework for meeting the environmental objectives of the Water Framework Directive (2000/60/EC), including measures to reduce pollution, enhance water supply, where needed, through localised projects and enhance water efficiency.

Alongside the RBMPs, the Government aims to secure the financial sustainability of water services, through a functional and transparent framework for their costing and pricing, which also secures equitable and affordable access for all, as well as sustainable investment for water efficiency improvements and leakage control. JMD 135275/22.05.2017 established these principles which are now being made operational through:

- The upgrading of the information system for water service costs and tariffication for all water service providers (Municipal Enterprises for Water Supply and Sewerage (DEYAs), Organisations for Land Improvement (GOEV) and individual Municipalities. The system, which will be operational by May 2018, will enhance transparency in water pricing, and the accountability of water service providers towards urban and agricultural water users and the society as a whole.

- The assessment of the Business Plans for the water service providers of the Athens and Thessaloniki Metropolitan Areas (EYDAP and EYATH S.A.) by May 2018, putting emphasis on planned investments for infrastructure improvements, water safety and overall efficiency.

- Projects on smart water network improvements are implemented throughout the country, with a view to decrease network losses and unaccounted-for water.

For urban wastewater collection and treatment, approx. 1 bn € from EU and national funds have been allocated to develop infrastructure in settlements with more than 2,000 inhabitants, helping to reduce pressure on water bodies and meet the requirements of Directive 91/271/EEC.

## 4.2. Guaranteeing Regional Development & Cohesion

A prime objective of the growth strategy is to reinforce Greece's national cohesion and reduce regional inequalities to ensure the strategy's regional dimension. To this end, the Government is completing 13 Regional Conferences on Production Reconstruction, the conclusions of which will be integrated into national policy-making. Meanwhile, a comprehensive set of island policies is being implemented, and its main actions include: improving access to islands through enhanced transport networks, ensuring efficiency with smart water and waste management, upgrading infrastructure and ensuring sustainable access to energy, increasing access to digital services, developing farming and fisheries as well as enhancing access to public health care. Regional cohesion is also a key-priority of the Investment Law.

### 4.2.1. The Regional Conferences on Production Reconstruction

The 16 Regional Conferences on Production Reconstruction is a major initiative launched by the Government. Through the Conferences, local authorities - regions and municipalities - the productive and social actors, professional organizations, trade unions and scientific bodies all participate in a direct and open consultation with the Prime Minister, Ministers and Executives of the Central Administration.

The objectives of the dialogue are the identification and elaboration of sustainable growth enhancing-measures based on the comparative advantages of each region. Local and regional actors become active participants in the elaboration of Greece's Growth Strategy. Inspired by the ideas of

decentralization, democracy, dialogue and synthesis, the growth and development strategy are not being shaped - as it was previously the case - by the centre administration on behalf of regions: core needs of local communities and the characteristics of local production systems are now at the centre and integral part of the Growth Strategy, while additional locally important priorities are identified and initiatives are co-designed with the local society.

The forthcoming completion of the 16 Conferences will be accompanied by the full activation of a follow-up mechanism regarding the evaluation of outcomes and their integration in decision-making.

### 4.2.2. Sustainable Development of Greek Islands

#### Actions for the development of Greek islands

Greece is a country with a great number of islands. Around 17,7% of its land area consists of about 6,000 islands, 117 of which are inhabited. This amounts to 15,000 km of coastline. With a population of 1.63 M, islands represent 15,1% of the Greek population.

Insularity is associated with specific issues:

- Many islands are small, peripheral and isolated being on the losing side of the interregional inequalities. These aspects challenge their growth prospects and economic sustainability.
- Islands enjoy a unique and rich – although fragile - natural and cultural endowment, with a high level of biodiversity and cultural variety. Hence, the disadvantages of insularity can turn into growth opportunities, when supported by the right policies.

Island policies are implemented along several dimensions.

#### Improving accessibility

Accessibility is perhaps the islands' most important problem. Implementing the "road transport equivalent" for both passengers and cargo is a key island policy. It is a type of transport subsidy for the residents, and it consists of a deduction on ferry fares, in order to equate maritime transport cost with land transportation cost. It is an extension of similar policies pursued by Scotland, Denmark, France, Corsica and Sweden.

The corresponding law will be issued in April 2018, followed by the necessary legal actions in May and June. A pilot project will start between July and December 2018, and the policy will be fully implemented by 2021.

Upgrading and modernizing both passenger and freight transport systems to the islands is necessary. The corresponding goals are threefold:

1. Redesigning the Map of Short Sea Shipping to complete the connection of islands, especially the most remote, between them (radial interconnection) and with the mainland. The following actions have been carried out:

- Consulting with island societies to improve the coastal network.
- Redesign of the short sea shipping map.

- Establishing a working group to review the institutional framework.

- Adopting business process management practices at the Directorate of Maritime Communications, with an electronic prototype in order to optimize maritime connections for public service.

- Advertising small islands by incorporating photos and texts in coastal companies' brochures.

2. Developing an integrated plan for maritime, air and land transport, in order to achieve timely transition of resident and visitors to and from the islands. The following actions have been carried out:

- Set up a working group to set up a Council on Intermodal Transport.
- Digitalization of a combined transport network on the islands.
- Modernizing the institutional framework for watercourses transport in Greece, with the participation of the Hellenic Navy.

- Supplying three boats to remote island regions for EAAB needs (floating ambulances).

Development of a network of water airports suitable for island infrastructure.

- Rolling out the National Strategic Transport Plan, in cooperation with the Ministry of Infrastructure and Transport.

3. Strengthening the provision of services of general economic interest for short sea shipping and air transport, in order to maintain the network and ensure regular connections, necessary for economic development and social cohesion. It will also serve to eliminate competitive distortions arising from the development of oligopolies. Specific actions carried out include:

- Serving 105 routes interconnecting islands and connecting them with the mainland with 218 vessels (11/2016 to 10/2017) through routing statements without rent.
- Serving islands that are not covered by the market with an additional 56 connections established through the conclusion of Public Service Obligation contracts.

- New multiannual calls for PSO contracts on condition to build new ships with green technologies (LNG, RES, electrification, hybrids) within 3 years and service the contract for the first 3 years by an adequate and navigable ship.

### Protecting the unique natural environment of islands

A rich natural environment is a key resource that greatly affects social and economic activities. The environmental policy for the islands takes into account the ongoing environmental transformation, and includes actions aimed at safeguarding and responsibly exploiting the scarce natural resources of the islands, while at the same time ensuring resilience to climate change. Its objectives are threefold:

1. Ensuring water self-sufficiency of remote and anhydrous islands, notably by allowing the construction of desalination plants. Desalination plants have been designed and built in Patmos-Arki, Kastellorizo, Lipsi and Amorgos (Katapola and Aegiali). Additional plants will be built between 2018 and 2021 in Donousa, Koufonisia, Iraklia, Kimolos, Marathi, Panormitis-Symi, Agathonisi, Nisyros, Ithaca and Mathraki.

2. Developing smart water and waste management on islands. A waste and local resource utilization model has already been applied in Santorini, with the construction of a plant using an optimal environmental and economic management system to produce energy. Further actions planned include the construction of dams, docks, and underwater transport pipelines, water and wastewater network rehabilitation as well as the adoption of modern methods such as the use of Waste Shipment Stations, floating management tools or agricultural and livestock waste and green spots.

3. Protecting coasts and water. Key initiatives include the updating of coastline and maritime maps, the establishment of a special monitoring and prevention framework for forest areas, the enhanced protection of NATURA special areas and the use of ecosystem-based approaches to protect coastal areas.

### Infrastructure and Energy Efficiency

The government seeks to upgrade the islands' basic infrastructures and ports, as well as to implement environmental protection projects to tackle water scarcity and improve energy efficiency. Its initiatives include:

- A 180 M EUR public investment project in the North and South Aegean Islands between 2017 and 2020. It will boost the local economy and entrepreneurship, finance infrastructure and environmental protection projects. Greece, with the participation of the Hellenic Navy.

- Establishing an Island Municipalities Technical Task Force. A support unit is created for the preparation of studies and following up on the implementation of projects.

- Interconnecting 42 islands by the Hellenic Electricity Distribution Network Operator and Independent Power Transmission Operator.

- Establishing Energy Communities based on the recent Law that gives corresponding incentives to islands under 3,000 inhabitants

Further actions planned include rolling out the «Energy Islands» project and launching the pilot project «Green High Technology» to exploit wind, solar, geothermal and wave energy in Agathonisi, Tilos, Symi, Erikousa, Gavdos, Kastellorizo, Othoni, Lopsoi, Kalymnos and Lemnos.

### Digital Islands

The main objective of the Digital Islands Policy is to connect all Greek Islands via satellite and broadband. It includes financing satellite access for permanent residents in remote areas and blind spots and providing free mobile broadband access to residents of remote islands, as well as Wi-Fi in public spaces.

### Farming and Fisheries

The government seeks to foster the production of high-quality and high value-added agricultural and fishery products in less-favoured areas or areas with permanent natural handicaps - such as islands. Ongoing initiatives include:

- Implementing a pilot programme for the creation of 2 collaborative enterprises of the primary sector in small Cycladic islands.

- Funding «Young Farmers Installation», with increased incentives for the islands. Support amounts range from 17,000 to 22,000 euros with a 2,500 euros bonus for small islands with a population of up to 3,000.

- Additional actions planned include:
  - Local plans for fishing and diving tourism; Creating small flexible slaughterhouses;
  - Extending the application of Products of Geographical Origin to specific agricultural and livestock products to foster exports;
  - Promoting Greek cuisine, especially Greek breakfasts, in the islands' tourism facilities.

**Public Health Care**

Health care in the Islands is neglected. This is caused primarily by isolation and the small size of communities. The private sector is nearly absent and the public sector preponderant. It is necessary to upgrade existing infrastructure and support them with skilled staff. The authorities have already supplied three sanitary vessels for the transport of

patients, which will cover the Cyclades, Dodecanese and southern Crete, but they also plan to send a delegation of military doctors to meet the needs of remote islands. While 25 telemedicine stations have been installed in the islands since 2016, doctors will be trained for hospital contact centres. An allowance of EUR 400 will also be paid to rural doctors serving on islands.

**4.3. Ensuring Inclusive Education****4.3.1. Improving the Educational System**

The reform of the educational system is a pillar of the Growth Strategy. Better education is a policy objective itself, but it will also serve the needs of the new growth model, while fostering a reduction in social inequalities. The main objectives are the modernization of educational structures, the improvement of the educational outcomes and the integration of graduates into the labour market. Notable reforms include the introduction of two years of pre-primary schools or the restructuring of upper-secondary education and access to higher education, while policies are being implemented to address specific needs. The governance structure of higher education is being extensively revisited, while its connection to research centres is being reinforced.

Attributing high value to education has long been a characteristic of the Greek society. Despite the fact that the country has highly-qualified scientific personnel, with outstanding performance and international recognition, structural characteristics of the Greek growth model have led to a significant lag in the development of the knowledge economy.

inequalities accessing education, as well as improving the labour market opportunities of graduates, all levels of education.

The fulfilment of the first objective requires filling existing teaching staff vacancies. The Ministry of Education has already submitted a study for permanent appointments of teachers over a period of three years. The present situation whereby the percentage of alternate teachers is exceeding 15% of the total number of teachers (the highest percentage in Europe where the percentage does not exceed 5%) will have catastrophic repercussions in education. The need for the specific appointments together with an increase for funding for education are issues that have been acknowledged by the 2018 Report on Education by OECD as necessary preconditions for the implementation of any recommendations. At this point, it has to be noted that no permanent appointments have been realized since 2009.

**Key strategic goals**

One of the pillars of the policy developed and implemented by the Greek government is the reform of the educational system, to enhance education and production of new knowledge, as a moral obligation but also to serve the needs of a new growth model. The main objectives of this policy are, firstly, the continuous modernization of educational structures, the improvement of the educational outcomes, together with a reduction of social inequalities and, secondly, the creative integration and effective development of graduates in the labour market.

**Reforms of the education system**

Reforming the education system and entirely re-designing human resources allocation so as to meet the needs of the new growth model is a central pillar of the national strategy. The objectives here are to improve educational outcomes while reducing social

The main aspects of the reform plan are: the launching of a National Plan for Teacher Training, reinforcing staff support by specialized personnel, creating new curricula and new teaching material for primary and secondary education, introducing new teaching and student assessment methods, creating supportive structures for schools, assessing education executive personnel and enhancing the self-evaluation process of schools. This effort, is accompanied by measures to rationalise the

resources of the educational system All the above are part of the three-year plan for education (July 2017), which resulted from the completion of the National and Social Dialogue on Education, in cooperation with the Institutions and through ongoing public consultation and which has been already made public.

Thus the much needed increase in funding will be almost exclusively be used for the implementation of the Three Year Plan. More specifically:

In primary education, the “Unified all-day Pre-Primary and primary School” needs further support. Another area of an important reform is the compulsory two years of pre-school education and training were made compulsory, A “Unified all-day Primary School” type was established to ensure that all primary schools in the country will be provided with common provision for all cognitive and didactic disciplines. The implementation of the «school meals» programme for all school units is also being implemented.

In secondary education, the government reduced exam by rationalising the curriculum, created new curricula, established a thematic week for a number of issues that are of interest to students and implemented a descriptive assessment for all students of lower high schools while establishing creative projects for upper high schools. The plan for the restructuring of upper high school is progressively realised to include serious changes in the entrance exams for higher education, with the aim of completing all the necessary preparations within the school without recourse to “shadow education”, something that is very pronounced in the recommendations of OECD.

#### Addressing specific needs

Priority is given to the field of special education. The law on special education has been modernized by adopting an integration-friendly approach, aiming at removing barriers and applying equal education of pupils with disabilities, while strengthening attitudes and behaviours that respect diversity. “Inclusive classes” in primary and secondary schools were also introduced.

Structures for the integration of refugee and migrant children into the education system are being created and need further support. Measures have been promoted and are being planned to rationalize the educational system, to simplify procedures and reduce bureaucracy, and to timely implement all preparations needed as well as complete staff mobility procedures before the opening of schools.

The Greek educational system is perennially weak

on structures for outside support for the schools. The new Supportive Structures for the Educational Work as included in the three year plan will shortly be legislated (May 2018). This scheme will unify and upgrade all supportive educational services and will establish a self-evaluation framework for the educational outcomes of each school. In addition, the scheme proposes specific ways for establishing a framework for evaluating educational staff executives for whom we design the selection criteria. These reforms, attempted for the first time, will contribute to the decentralization of the education system and the pedagogical autonomy of schools.

#### Specific reforms in higher education

The dysfunctional Institution Councils of Universities and Technological Educational Institutions (TEIs) are replaced by regional Academic Councils for Higher Education and Research (ASAEE), which are elected by the academic institutions and research centres of each region (Law 4485/2017). The main goal of ASAEE is to promote regional integration, but their role also includes checks on the implementation of the strategic plan elaborated by each Institution and its budget spending, so that the necessary checks and balances for accountability are ensured through a supra-institutional body, i.e., in a more robust way than that provided by the Institutional Councils.

Greek State has recognized the importance of reorienting the education systems towards preparation for market employment. The establishment of the National Council for Education and Development of Human Resources (ESEKAAD) (Law 4452/2017) has been decided in order to function as a link between education and the labour market, in order to promote sustainable employment of graduates and address future skills mismatches and to continuously monitor the relationship between the diplomas and the labour market needs. One of its strategic directions is to provide HE students with cross-bridging opportunities between institutions and academic disciplines. Its contribution is deemed crucial to promote new productive study directions in higher education by creating new university departments and by restructuring older ones in order to better link them with sectors contributing to specific fields of the country’s development strategy. Additionally, the law 4485/2017 introduced the two-year vocational education programs that will be organized and supervised by the HEIs in collaboration with other stakeholders representing market and local authorities. In this way, the HEIs obtain a closer link to real economy needs and the market can easily

participate in the formation of the study programs of the specific courses in order to obtain employees with a higher level of readiness to offer their services in key areas of Greek economy. Almost all the above has been instituted for the first time in the recent history of HEI.

Measures for flexible financial management of Higher Education Institutions (HEI, i.e., Universities and TEIs) are launched, such as the single budget and report, based on the totality of available funds: regular budget, NSRF, EIB lending and other financing mechanisms, university estate use and own resources by provision of services. In addition, measures promoting self-government of public educational institutions are launched.

Substantial administrative restructuring of HEIs is promoted through interventions including, for instance, the election of rectors for a four-year service, the election of vice-rectors from a separate list, the re-establishment of the rectorial council, the strengthening of the senate's representativeness are all aimed at depoliticising the university administration. There is also a nominal, participation of students in the governing bodies, but students do not participate in the election of the administrative bodies. This major intervention concerns the complete reform of the institutional framework governing the operation of postgraduate programmes by ensuring staff adequacy and relevance of each postgraduate programme to its department, by ensuring free access to those with limited family and personal income, by linking revenue from postgraduate studies to regular budget, etc. Restructuring of HEIs is feasible not only in terms of internal functioning and their relationship with central administration, but also in terms of unit size.

A Synergy Strategy between Universities, TEIs and Research Centres is under way and will continue as another aspect of the educational reforms. This involves a comprehensive redesigning for Higher

Education and Research, aiming at creating a Unified Area of Education and Research. Part of this effort is the partnership of the two TEIs of Attica leading to the creation of the University of Western Attica (Law 4521/2018). Almost all over Greece there are working groups exploring the possibilities of similar synergy efforts between Universities and TEIs, many TEI departments are integrated into Universities and other departments complete their historical cycle, without affecting the working status of the teachers and employees and without affecting the professional rights of graduates.

Quality of education is considered as one of the principles of HEIs' mission as incorporated also in law 4485/2017, which includes many provisions enhancing and promoting quality culture. Following international best practices, it introduces the expert "Scientific Advisory Committee" (SAC), to oversee and evaluate postgraduate studies at each HEI School, in addition to the more formal HQA evaluations. In addition, for the first time, the law encourages HEIs and RIs to form joint post-graduate programmes, thus the law is fully aligned with the recently launched European policies on European Research Area already drafted in PARIS COMMUNIQUÉ. Moreover, in order to promote internationalization in HEIs, law 4485/2017 allows Greek HEIs to offer undergraduate programmes in another language than Greek. Finally, in the framework of the Synergy Strategy stated above, synergies and consolidation of HEIs will lead to better use of infrastructure, economise resources, and ameliorate the student/teacher ratio. The Ministry of Education also actively participates in Bologna Follow-Up Group (BFUG) which oversees the Bologna Process. It continuously interacts with Greek HEIs so as to enhance the performance in student mobility through Erasmus+ programme and improve the adoption of critical Bologna tools easing recognition and mobility such as ECTS and Diploma Supplement.



### 4.3.2. Reinforcing the Vocational and Educational Training System

The upgrading of VET programmes is a priority of the Government's educational policy to bridge the skill mismatch. The key elements of the Greek VET strategy are to enhance the connection between programmes and labour market needs, upgrading programme quality, raising the attractiveness of VET, promoting usage of the apprenticeship scheme, adopting an integrated, rigorous but autonomous governance structure, strengthening the social role and enabling the participation of students in the educational process. The programme achieves this by upgrading vocational schools as well as bringing HEI and vocational schools closer. The new National Technical Committee for VET will monitor the strategy's implementation.

A comprehensive Strategic Plan to improve VET and Apprenticeship programmes was presented early in 2016. It seeks to achieve an improvement in the quality of VET programmes in order to meet the expectations of parents, pupils, teachers, firms and the Greek society.

The strategy was designed by identifying the needs of the Greek economy and society, as well as European best practices. A holistic approach was adopted to review the whole system of vocational education and training, consistent with the national growth strategy. The TVET strategy will address the needs of students for quality TVET education, those of graduates to provide them with professional opportunities, and those of teachers to improve work safety and the development of a realistic vision.

The key elements of the Greek VET strategy are:

- Enhancing the connection between VET programmes and the needs of the labour market and the economy, mutually improving.
- Upgrading VET programme quality, by developing new curricula and comprehensive teacher training programmes.
- Raising the attractiveness of VET programmes to young people.
- Promoting a large adoption of the Apprenticeship scheme.
- Adopting an integrated and flexible governance structure, involving multiple stakeholders in policy formulation, setting clear and rigorous procedures for implementation, and granting more autonomy to educational institutions.
- Strengthening the social role of VET and enabling the active participation of students in the educational process.
- To support the achievement of these goals, numerous actions and interventions are integrated into the Strategic plan. The majority of these actions are already being implemented, and their funding has mainly been secured through ESF funds.

#### Apprenticeship scheme

The gradual adoption of the Apprenticeship scheme is central to raising VET attractiveness for graduates, as an alternative course for upgrading their professional qualifications. A specific Quality Framework for Apprenticeships has been adopted for this purpose, and it includes provisions on learning and working conditions. They emphasize that apprenticeship programmes follow specific curricula in order to achieve specific learning outcomes and ensure the proper implementation of the process in the school and the workplace. Furthermore, apprentices are entitled to a daily allowance and insurance so that they become familiar with the rights and obligations of workers and so that employers acquire a sense of commitment to the apprentices' training.

In March 2017, the first phase of Apprenticeship implementation took place, with very good results and positive feedback from the participants. The second phase took place on a larger scale in October and December 2017. In total 4,200 learners have enrolled in the new apprenticeship scheme.

In order to strengthen the link with the private sector and ensure relevant quality apprenticeship placements, a pilot project of VET partnerships was launched between the Ministry of Labour and the Union of Hellenic Chambers, with the co-operation of OAED and the Ministry of Education.

Furthermore and in order to promote social dialogue between the authorities and the private sector, the National Coordinative Committee for Apprenticeship was recently established (February 2018), with representatives from the relevant ministries, OAED, Social Partners and the Union of Hellenic Chambers.

### Bringing closer HEI and VET

The government has launched two-year study programmes for graduates of Technical Vocational Schools (EPAL), operating within HEIs, which were legislated with Laws 4485/2017 and 4521/2018. In particular, HEIs will be able to operate Vocational Training Centres, academic units within the institutions, which will provide biennial vocational training programmes for Vocational High School graduates free of charge and fully funded by the state. They intend to provide vocational training to young people in attractive programmes, always in line with the needs of national productive reconstruction efforts and the labour market. They will award diplomas at Level 5 of the National and European Qualifications Framework. The biennial structures are a significant innovation in the field of vocational post-secondary education, which will benefit both EPAL graduates, the economy and the HEIs themselves, who through the two-year structures will come in contact with the needs of local communities and their stakeholders.

### Upgrading vocational Schools

“A new Start in EPAL” is a spectrum of interventions at the first grade of vocational school, which aims at strengthening the social role of the school, combating early dropout and supporting students. Under this programme, an alternative form of supplementary teaching in Greek and mathematics is offered, and psychologists will be hired to provide support in the educational process. At the same time, schools are funded to develop creative collective actions and they are also being equipped with teleconference and tele-education infrastructure to enable them to network and exchange good practices. A training course for teachers and psychologists participating in the programme will also take place.

The project is structured in two phases:

- Pilot implementation (2017-2018) in 9 EPALs (already running).
- Wider implementation (2018-2021) in all EPALs of the country.

Another of the strategy’s main provision is to equip all public VET structures with the necessary infrastructure. In total 26 million in funding from ESF funds has been secured.

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### Ensuring smooth implementation and monitoring

As part of the new comprehensive Government VET scheme, the National and Technical Committee for VET was established by Law 4485/2017. The new institution is entrusted with responsibility for the monitoring of the Strategic Plan’s implementation.

The first meeting of the National and Technical Committee took place in March 2018 and discussed:

- The mapping of the skill needs of the Greek labour market.
- The translation of the output of the labour market needs diagnosis into policy.
- The tracking VET graduate.
- The design of a monitoring and evaluation system for the Plan’s implementation.
- The issuance of guidelines for the first meeting of the Technical Committee.

## 4.4. Providing Universal and Effective Health Care

The Government is committed to equal and universal health coverage, and it recently ensured access of the uninsured to the Public Health System. A priority is the expansion of primary health care - the SCUC2 project develops the network and tackles public health issues - with a transparent, inclusive, modern and sustainable governance. The government also works to develop centralized procurement through the new EKAPY, rationalize health expenditures, and combat corruption in the public health system.

The Ministry of Health is committed to equal and universal health coverage of the population. It recently made a key intervention by ensuring access of the uninsured to the Public Health System, thereby disconnecting free access to health services from social security. In practical terms, 40% of the 2.2 M uninsured citizens used of the Public Health System in 2017, for total expenditures of 406 M EUR, including medication costs - 165 M EUR for medicines, 56 M EUR for medical exams, 185 M EUR for health services.

The central elements of the national strategy are developed below. The issue's relevance to growth is discussed, followed by a description of achievements, planned actions and key upcoming policies.

### Primary Health Care

Greece, supported by the WHO, has embarked on a two-year initiative as part of the country's ongoing large-scale health sector reform. The second phase of the "Strengthening capacity for universal coverage" (SCUC2) project supports Greece's move towards universal health coverage, it focuses on providing universal access to health services, establishing a transparent, inclusive and modernized health governance, as well as ensuring fair and sustainable health financing. The main priorities of the SCUC2 project are developing the primary health care network and addressing public health issues. The initiative helps evaluating emergency health care services, optimizing the use of technological tools, reducing out-of-pocket payments and improving central procurement mechanisms. It will keep on facilitating policy dialogues between stakeholders.

The enactment of the Law 4486/2017 "Reform of Primary Health Care" on December 2017, marked the inauguration of 3 local primary health units (To.M.Y.) in the wider urban area of Thessaloniki. The MoH and regional administrations have established 47 (To.M.Y.) as of March 2018, and there will be at least 100 by the end of May 2018. In addition, Ministerial Decisions have been issued concerning:

- The referral procedure.
- The process of registering the population with

a General Practitioner.

- The time schedules of GPs doctors. Concurrently, the EOPYY contract procedure runs with family doctors (GPs, pathologists and paediatricians).

### Centralization of procurements

Problematic features of the public health procurement procedures were documented by Greek Authorities and international organizations such as the OECD and European Commission. As they encouraged corruption and the waste of public funds, a structural reform was deemed necessary.

Law 4472/2017 created EKAPY, a public body supervised by the MoH whose mission is to increase saving by 25% on every centralized procurement, improve administration efficiency and rationalize expenses, combat corruption and promote transparency, improve strategic and operational planning, improve the efficiency of the implementation of centralized supplies of products and services, as well as to monitor public health expenditures.

The previous Responsible Authority, the Health Supply Commission (PSC), launched 36 central competitions between 2008 and 2017. Ten of them reached a contract with a cumulative amount of € 140 M (budgeted expenditure of € 337.6 M). The limited number of successful centralized contracts is the result of a cumbersome procurement mechanism characterized by a lack of strategic planning, complicated bureaucratic procedures and a lack of information and organizational tools. Together they resulted in significant contracting delays and malfunctioning, while increasing costs and reducing the quality of services provided to citizens.

The creation of the National Central Authority for Health Procurements (EKAPY) seeks to establish universal and acceptable procurement standards and procedures. To ensure high-quality staffing, the recruitment of specialized executives from the public sector as well as of specialized scientific staff, on fixed-term contracts, is envisaged. It will increase EKAPY's staff from 80 to 100, in order to meet its specific needs.

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To fulfil its mission, the EKAPI has set a strategic plan for the next 3 years along the following lines:

- Operational upgrading of EKAPY.
  - Long-term planning of centralized procurement for a large share of the medical devices, medicines and services used in the public health system.
  - Improving the quality of information produced by the health system.
- Improving tendering procedures, using contemporary and competitive tools, improving the organizational and administrative framework of procurement, providing training of staff, introduction of common standards (documents and procedures).
- Upgrading the contribution of information systems.
  - Upgrading communication with international organizations and participating in relevant networks.

#### **Rationalization of health expenditure - pharmaceutical spending**

The Greek Authorities have committed to further reforming the Health Care Sector with the objective of providing universal, equal and effective care for patients. A key objective is the rationalization of pharmaceutical expenditures. Therefore, the Government has stepped up its efforts and developed a set of incentives and obligations for participants along the medicines supply chain, in order to increase generics penetration. The Authorities are developing a critical mass of prescription guidelines and therapeutic protocols for care pathways. A significant number of these therapeutic protocols will be introduced in the e-prescription system before May 2018. Additionally, the authorities will set-up a Health Technology Assessment (HTA) Organization to evaluate which products to reimburse and under what conditions and agreements. It will become active and fully operational by the end of 2018. As an intermediate step, an HTA Committee will be set up in the 1st half of 2018. The relevant legislation has already been passed and the establishment of the Committee has been initiated. The Government applies an automatic claw back mechanism to pharmaceutical companies, which guarantees that outpatient pharmaceutical expenditures (EOPYY budget) do not exceed targets.

#### **Strengthening the effectiveness of hospitals**

The Greek Government has adopted and continues to develop a series of measures in the hospital sector in order to increase capacity by

reducing waste, rationalize the allocation of human and financial resources, prevent and fight corruption, as well as increase transparency in the administration structures.

These measures include:

- Development of Business Intelligence IT system through which certain key indicators of hospitals regarding admissions, drug consumption, staff, finances etc. will be accessible in quasi real time.
- Adoption of a plan to fight corruption in the health sector in collaboration with OECD.
- Development of DRG system for the reimbursement of hospital services, in order to monitor effectiveness and optimize efficiency and allocation of resources.
- Extension of the competency of the Negotiation Committee for Pharmaceuticals in order to include hospital drugs.
- Review the administration structure of hospitals in order to include patients' organisations in key decision-making bodies.
- Continue the spending review, in collaboration with the GAO, in order to identify areas of waste.

#### **Medical Cannabis**

On March 1st 2018, the Hellenic Parliament approved a bill allowing the production of medicinal cannabis. Indeed, Law 4523/2018 allows the cultivation and production of medical cannabis by licensed integrated units. The license includes production, processing and production of complete medicinal products of hemp.

#### **Medical Tourism**

Health or medical tourism is gaining momentum. Actions taken by the Ministry of Tourism (MoT) notably include:

- Thermal waters were formerly treated as waste and sewage, hindering investments. They have been declassified by Article 35 of Law 4403/2016. The first special tourist unit was licensed accordingly in March 2017.
- A Mineral Committee for the Protection of Natural Resources was set up by the MoT, which led to the recognition of 50 natural resources as healing, with 73 other pending requests.
- The Special Investment Promotion and Tourism Licensing Authority of the MoT licenses spa tourism facilities with simplified and fast-track procedures.
- The legal framework of Medical Tourism is being developed in co-operation with the Ministry of Health (MoH). It comprised the certification of

Medical Tourism Providers and the creation of a Register, the Granting of Distinctive Signs of Medical Tourism, an investigation into the possibility of covering the medical expenses of foreign citizens and the definition of acceptable medical tourism services.

- The MoT and MoH work closely to produce secondary legislation under Article 40 of Law 4272/2014 related to healing thermo-treatment units, healing and spa centres and thalassotherapy centres, as primary health care service provider.

## 4.5. Strengthening and Upgrading Social Protection

During the recent years, two radical reforms on the social protection system have taken place: the creation of a Unified Pension System and the introduction of the Social Solidarity Income. The Unified Pension System is a huge administrative reform, which for the first time sets common insurance and pension rules for all insured persons. At the same time, the new unified system facilitates the speeding up of pension awarding, from an average waiting period of more than two years to just two months. The full implementation of the pension reform is crucial, as it will provide a modern, sustainable and fair protection system to the benefit of Greek population. The landmark Social Solidarity Income that has been put in place, needs to be increased and complemented by other financial and in-kind benefits. Social programmes specifically need to target children and families, as well as other vulnerable groups. The full deployment of the National Solidarity System, integrating the principles of a modern digital welfare state, will address past weaknesses and render social protection more transparent, fair and inclusive.

The Greek welfare state proved unprepared for cushioning the severe social consequences of the crisis. The collapse of the GDP resulted in vast increases in poverty, while the system's extremely limited resources failed to provide an adequate safety net. Social indicators such as poverty and unemployment rates are amongst the highest in Europe. Despite considerable efforts, the government has taken, a third of the population is still living at risk of poverty, material deprivation and social exclusion. The younger segments of the population were affected disproportionately. 38% of children is at risk of poverty while youth unemployment is still around 45%.

The government's objective is to increase substantially the social protection budget, in order to tackle poverty and social exclusion, but also to undertake reforms to increase welfare system transparency, fairness, user-friendliness, effectiveness and efficiency. Indeed, currently the social assistance expenditures are extremely low, at around 2.2% of GDP compared to an EU average of 4.1%. All social assistance measures legislated in May 2017 for 2019 onwards will increase the relative budget by 0,7% of GDP.

A robust social insurance and welfare system is at the heart of inclusive growth, and the authorities have implemented a set of reforms to build a strong social protection system that protects the most

vulnerable segments of the population. Two central achievements of the reforms are the creation of the Unified Pension System and the establishment of the Social Solidarity Income scheme. They set a roadmap for tomorrow's policies, consistent with the principles of the European Pillar of Social Rights.

### **A Unified, Modern and Sustainable Pension System**

The Social Security System has been thoroughly reformed, through the unification of the main pension institutions into the "Unified Agency of Social Security" (EFKA) and of all public auxiliary pension and lump-sum benefit funds into the "Integrated Fund for Auxiliary Pensions and Lump Sum Benefits" (ETEAEF). This major administrative restructuring of the Social Security system is one of the most successful recent structural reforms implemented in Greece. Reviving the relationship between Greek citizens and Social Security will be key in improving the functioning of Social Security and optimizing both revenues and benefits.

Law 4387/2016, which introduced the Unified Social Security System, constitutes a radical change in the organization, operations and benefits structure of social security. The goal of these interventions is to ensure the sustainability of the system, as well as streamlining the costs and savings in order to the

increase EFKA's revenue. In fiscal terms, the 2016 reform was front-loaded. Together with additional August 2015 and May 2017 legislation, the savings from the pension reforms are expected to reach 2.8% of GDP by 2020, and to have a significant impact on medium and long-term financial sustainability. Pension expenditure is expected to decline from 17.3% of GDP in 2016 to 13.4% by 2020 and 12.9% in 2040, compared with an EA average of 13%. From 2025 onwards, state financing will only cover the National Pension (4.8% of GDP), and there will be no need for extra financing since the deficit will have been eliminated. Employees and employers' contributions will represent nearly all of the contributory pensions from 2026 onwards. Consequently, the full implementation of the reform ensures the medium and long term financial sustainability of the Greek pension system.

A sustainable and well-functioning Social Security System will ensure a fair burden-sharing among the persons insured and compensate them for the benefits lost during the economic crisis.

The full realization of the 2016 pension reform guarantees a decent level of benefits despite the constraints imposed by economic growth and primary budget surpluses. The reform addresses problems specific to the Greek pension system: the financing gap, the high fragmentation, the injustice arising from the different contributions and benefits rules, the high rate of undeclared work, the inefficient administration. Taken together, these improvements will help alleviate the repercussions of the recent crisis - high unemployment rates, reduced salaries and increasing non-standard employment).

Other key objectives of the Ministry of Labour to increase administrative efficiency and improve the quality of the services comprise the digitalization of the Social Security System, as well as the simplification and standardization of procedures. The advent of digital tools will make procedures faster, more transparent, user-friendly and reliable. The digitization of EFKA will assist in speeding up pension awarding. The goal is to move from an average waiting period of more than two years, to that of two months, starting from August 2018. ESF funding has been granted to accelerate the digitalization of EFKA, but also to tackle social contribution evasion and actions like «Pension in one day».

EFKA has also created a detailed action plan for the merging of all former Social Security Funds, which sets actions up until 2020. The main remaining milestones are the following: (a) merged funds functioning under integrated organisational structures, as they have already been provided in the MD, (b) reduction of rentals and leases, (c) savings

in staff and management positions, (d) reduction in number of local offices, (e) integrated IT systems, (f) restructure of control and collection services.

As mentioned above, one of the main benefits of the new pension system is its administrative simplification. The inclusion of all past debts into KEAO is another aspect of that, making the debt management more fair and efficient. Finally, a team has been appointed in order to identify processes and collection tools between the tax administration and EFKA-KEAO in order to increase efficiency to reduce administrative burden on contributors and debtors.

A well-functioning and financially viable pension system that minimizes insurance evasion will contribute to sustainable and inclusive growth. The 2016 reform ensures the effectiveness and long term financial sustainability of the social security system and its full implementation.

## Protective Welfare State policies after the crisis

### Social Solidarity Income

The Social Solidarity Income was introduced in mid-2016. Since then its coverage has been growing, covering nearly 700,000 people, as it becomes the centrepiece of the Greek safety net. An increase in the level of the SSI income benefit is planned, jointly with the re-evaluation of the minimum wage level.

The reinforcement of the so-called 2nd pillar of the SSI will be completed by 2018, with additional services and in-kind benefits. These already include social tariffs for water and energy, direct connection to the Fund of European Aid to the most Deprived (FEAD) for food and basic aid provision, children's enrolment to nurseries, and free healthcare in the public system. Most importantly, while 10% of unemployment SSI benefit recipients have already access to ALMPs, the government's objective is to strengthen this 3rd pillar of SSI by reaching a target of 20% within the next 2 years, with the clear aim to facilitate the re-integration of these vulnerable strata and simultaneously avoiding the poverty trap.

### Social investments for children and families

Child poverty and insecurity, as well as youth unemployment and precarious employment greatly contribute to social inequality, poverty, social exclusion and social instability, as well as to the demographic deficit through the negative effect of precariousness on natality. A National Action Plan for

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Children and Families is under discussion, and it will aim at establishing a strong, resilient and sustainable protection framework.

In the meantime, additional social investments are planned to:

- Continue the successful school meals programme. The pilot project benefited 3,000 children in 2016, increasing to 10,000 in 2017, gradually expanding to all Greek regions. In 2018 130,000 daily meals will be served, increasing to 500,000 in 2019 and 2020, starting with schools in the areas most affected by poverty and unemployment.
- Increase the number of nurseries, from 2,800 units in 2018 covering 100,000 children to 5,000 units in 2019-2020 for 145,000 children. They will benefit employed parents but also those most affected by poverty and unemployment.
- Increase housing benefits for families (renting and on loans), targeting the lowest income deciles.

Complementary interventions are projected, notably:

- Enhance social services for families and children, using community-based services through some 100 Family Support Centres in the Community Centres network, both structures financed by the European Social Fund.
- Reinforce maternity support measures especially for the uninsured.

The government's main concern in its interventions in the social assistance field has been and will be the maintaining of the links of all recipients with the labour market environment, minimising or eliminating the risks of creating disincentives for the integration in the labour market. Even when the provided social benefits serve other or multiple purposes (e.g. family strengthening or disability compensating), the constant use of tools such as the national Mechanism (see below) will enable the controls and corrections in all programs.

**Measures for vulnerable groups: Roma, elderly, homeless, disabled**

**Elderly:** The government is currently consolidating the three main structures for the protection of the elderly: Help at Home, Open Protection Centres for the Elderly (KAPI) and Elderly Day Care Centres (KIFI). They will evolve into a Holistic Care for the Elderly (OPHILI) system, which will make it easier for the elderly to stay at home in their families.

**Roma:** After the mapping of over 370 Roma settlements, 70 relocation operations will take place.

Simultaneously, concrete interventions will target the remainder to provide enhanced education, health and work support.

**Homeless:** Efforts will be directed to population registration, homelessness monitoring, development of hostels and apartments and comprehensive programmes for reintegration into the labour market.

**Disabled:** Continuing the successful establishment of a national system for the disability assessment, based both on a new uniform table of percentages of disability, aligned with the ICD-10 of the World Health Organisation (EPPPA) and on a national network of Disability Certification Centers (KEPA), a pilot program introduced in March 2018 with the objective to assess the functioning conditions of the disabled persons applying for the welfare disability benefits in the Attica region, connecting the Community Centers, the KEPA network and the single management, audit and paying agent for all welfare benefits (OPEKA). This pilot, among other things, introduces a major change in the system, namely the establishment of the "electronic disability file" which affects positively disabled applicants, assessors, administrative staff, policies' evaluators and policy makers. This program will be gradually rolled-out in July 2018 in all country regions, offering the same procedure for the disabled persons applying for the contributory disability benefits. The exact roadmap for this major reform is conditional upon a full evaluation of the pilot program, with the technical assistance of the World Bank, the Austrian AED (Agency for Economic Cooperation and Development) and the SRSS.

## **Endow Greece with a Modern, Fair and Inclusive Welfare State**

### **Better Targeting through Horizontal Social Benefits and Services**

The social protection model prevailing in countries like Greece, Italy, Spain, or Portugal is characterized by its late development, the system's fragmentation, insufficient funding, as well highly polarized, and badly targeted benefits.

In addition, the level of protection suffers from political clientalism and opacity. As a result, the weight of ensuring decent standards of living to those in need is passed on to families and relatives, as Greece has the lowest social expenditures as a share of GDP among Southern European countries.

### **Rolling-Out the National Social Solidarity System**

The National Social Solidarity System (NSSS) benefited from the completion of the National

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Strategy for Social Inclusion and the corresponding Regional Strategies in 2015, from the strategic framework for Roma Inclusion and fighting homelessness, as well as from the recent adoption of a pilot framework for the deinstitutionalization of children and people with disabilities. The latter is supported by a new law aiming at developing foster care and adoption, with a view to rationalize spending.

The NSSS is based on 2 pillars:

- A National Mechanism to coordinate, monitor and evaluate social inclusion policies.
- OPEKA, a single management, audit and paying agent for all welfare benefits. Its geographic information system is connected to the National Mechanism.

The operationalization of the NSSS will benefit from the upgrading and reorganization of the 13 regional Social Welfare Centres and the National Centre for Social Solidarity (NCSS/EKKA) under the auspices of Ministry of Labour, Social Security and Social Solidarity (MoLSSSS).

#### **A Modern Digital Social Welfare System**

The National Mechanism for the coordination, monitoring and evaluation of social inclusion policies is key to re-organizing the social services to citizens.

The Mechanism relies on a single geo-information system and has 3 registries for:

- Beneficiaries of social assistance schemes, already in place.
- Public and private entities offering social protection and care due to be completed by June 2018.
- All of the country's social programmes, ready to be operational.

The core of the Mechanism consists of 240 Community Centres, which soon will be extended to cover all 325 Municipalities. The Community Centres represent a major reform with their "double-agent" role, that is offering one-stop shop services to the citizens (information, guidance and reference to appropriate social assistance service providers) and simultaneously transfer all data to 13 Regional

Observatories, to the competent Directorate in the MoLSSSS and to OPEKA.

The National Mechanism, further to its crucial role in enabling the best possible planning of all welfare policies after an evaluation of each one of them, is considered as powerful tool in fighting against the clientelism and opacity of the past welfare system, exactly because its delivery channels are offering an uniform, comprehensive, impartial information and service to all citizens.

Building on the success of the Social Solidarity Income digital platform, all the platforms and programmes relevant to the new NSSS are interconnected and mainly web-based, using all the necessary data to assess eligibility and profiling of potential beneficiaries of social assistance and protection programmes. Meanwhile, it facilitates the monitoring and evaluation of these programmes.

#### **A New Framework Law for Social Care Providers**

Numerous public and private actors as well as NGOs are providing social care. They are offering programmes and benefits, however, with no common operating rules or quality control framework, and they are inadequately mapped. The mapping of the providers has begun and more than 1,500 entities have been registered in an electronic database, while a major framework law is in preparation to harmonize standards and operating rules for these social care providers. Better monitoring will allow reaping economies of scale.

#### **Improving Children and Disabled through Deinstitutionalization**

De-institutionalization of children and people with disabilities will be the cornerstone of the authorities' efforts to enhance the wellbeing of these citizens. A pilot project is already in place in Western Greece and Attica, and these efforts will be coordinated by the Adoption and Foster Care Law.

The new institutional framework concerning foster care and adoption will solve major problems and help build a transparent, efficient and effective system. This system will de-institutionalise children with a view to improving their psychological and mental conditions, and will reduce prospect parents' long adoption delays, which spurs child trade.



## 4.6. Placing Youth at the Top of the Agenda

The Greek government has established as one of its key priorities to improve the prospects of Greek youth. Indeed, the crisis has been felt disproportionately by youth. Youth unemployment rates are structurally high, and it nearly tripled during the crisis, standing at 45% currently. The high NEET share labour demonstrates the risk of a “lost generation”. The “Youth 17-27” strategy seeks to promote youth autonomy and independence and facilitate their transition to adulthood, provide a fair and qualitative education-training-apprenticeship, ensure decent work for youth and encourage youth entrepreneurship, enhance their health and wellbeing, youth participation in decision-making, reduce inequalities among young people and create youth-friendly cities. It will be unveiled in May 2018.

### The Alarming Condition of Greece Youth

The Greek government has established as one of its key priorities to improve the prospects of Greek youth. While there are around 1.7 M young people aged 15 to 29 in Greece, or around 16% of the Greek population, their interests have been set aside before and during the crisis. Youth unemployment in Greece has been high historically, around 25 to 30% in the early 2000s. In addition, it affected and still affects young women more than young men.

As a result, and while they are key to the country’s recovery, productivity and future, they are the group that has been hit the most severely by the crisis.

Indeed, the crisis has been felt disproportionately by youth. Their unemployment rates nearly tripled, from just above 20% in 2008 to nearly 60% in 2013. While they have slightly declined since then, they still stand at around 45%, and above 50% for women. There are also wide regional disparities. The highest youth unemployment rates can be found in the centre-north regions (Epirus, Thessaloniki) followed by the central regions (West and Centre Greece, Ionian Islands) and the Macedonian regions. Since 2013, youth unemployment in Thessaloniki and the Ionian Islands did not recover significantly.

The share of youth not in employment, education or training (NEETs) is also alarming. In 2016, nearly one in 4 young Greek was inactive. This dynamic is even stronger for the 25 to 29 years old, putting Greece at risk of a “lost generation”. Even amongst employed youth, one in three is in temporary employment, over 20% in part-time employment, the majority against their will, and around 20% are employed but at-risk of poverty.

### A National Emergency Plan for Youth

The Greek government recognizes youth as pillar of social and economic progress. As a result, the Government Council for Social Policy (KYSKOIP) decided the elaboration of a holistic Youth Strategy

(8.3.2017) coordinating all line Ministries. This Youth Strategy set three key priorities:

- Empower young people economically and politically.
- Facilitate the transition from childhood to adulthood.
- Implement targeted measures to accelerate the integration of young people into the labour market.

In order to implement the strategic priorities, a clear and integrated strategy has been designed by the Ministry of Education, which takes into account the actual needs of young people. With a long-term vision, the strategy will be binding for the relevant stakeholders, and it will proceed according to international best practices in youth policy.

The “Youth 17-27: Framework of strategy and action plan for the empowerment of young people” strategy lays out clear targets seeking to:

- Promote youth autonomy and independence and facilitate their transition to adulthood.
- Provide a fair and qualitative education-training-apprenticeship.
- Ensure decent work for youth and encourage youth entrepreneurship.
- Enhance their health and wellbeing.
- Enhance of youth participation in decision-making.
- Reduce inequalities among young people.
- Create youth-friendly cities.

To ensure the effectiveness of public policies, a robust monitoring and evaluation framework of the strategy’s implementation is necessary. To this end, specific indicators have been identified, which will evaluate progress and enable adjustments during the implementation. An annual evaluation and report will be published, to make sure that the efforts and the policies to enhance the condition of Greece youth will be sufficiently strong and that they will be sustained over time.

The National Youth Strategy will be presented in May 2018.

## 5. Financing Growth

For the financing of the current Growth Strategy, the Greek Government aims at taking advantage of all available funding tools and options and at activating further resources through expanding the spectrum of available options.

The Public Investment Programme (PIP), which is mainly made up of national public funds and the resources of the European Structural Funds stands as one of the main pillars for the financing of the Government's developmental plan. Structural funds are organised between Smart Growth, Inclusive Development and Sustainable Development, complemented by horizontal policies. Through a rapid acceleration of project implementation and a fruitful collaboration with European Commission, Greece has achieved the highest absorption rate in the EU of the European Structural Funds the past three years, bringing more than 11b € to the Greek economy.

In addition, the Government is making use of the resources of the Juncker Plan (EFSI) and is strengthening its cooperation with international financial institutions such as the EIB and EBRD. Greece is first in Europe in approved and signed loans from the EFSI. Loans and agreements equal to 2,1b € have already been signed, that will trigger investments of more than 8bn €.

Combining the various funding sources, the Government has created a multitude of financial

instruments for SMEs and start-ups, enabling them to grow and become more open. A variety of mixed-funding programmes targeting the development of microfinance, entrepreneurs, trade facilitation or energy efficiency is also being implemented. Through these tools and programmes we leverage public resources, mobilising significant funds from the private and financial sectors.

Furthermore, a new development law that provides an array of funding opportunities and investment incentives is currently implemented and a Development Bank (Hellenic Development Bank, "HDB") is being created to support long term investments. The HDB will coordinate all the available financing instruments; it will work aside commercial banks, will bring best practices from international organisations and will secure additional funding for large investment projects and enterprises.

Finally, decisive steps have been taken to revitalise the banking sector. The Ministry of Finance is phasing out capital controls and improving bank governance, while at the same time reducing NPLs on the basis of an ambitious plan and a strict timetable that is already producing results. Overall, the Government's goal is to boost liquidity, strengthen the financial sector and address funding gaps in the real economy, especially for SMEs, infrastructure and exports.

## 5.1. The Public Investment Programme

The Growth Strategy is financed through the Public Investment Programme (PIP), which is made up of national public funds and the resources of the European Structural Funds. In addition, we are making use of the funds of the Juncker Plan (EFSI) and we are attracting additional funding by strengthening our cooperation with international financial institutions such as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

In the past three years Greece has been at the top of the EU regarding the absorption of Structural Funds resources and first in Europe in taking advantage of the Juncker Plan, based on the ratio of investments to GDP (March 2018). At the same time, the country is 5th worldwide, among destination countries for EBRD investments with a total of € 2.5 B investments over the last three years (March 2018). Furthermore, the EIB is continuously increasing its funding to the Greek economy, with disbursements of € 2 bn in 2017 only, and € 7 bn are assigned to projects over the next three years, which are expected to trigger further investments of above € 20 bn, according to the Bank's estimates.

The Government's planning includes the combination of all available financial and leveraging resources through the mobilization of private investments and the restarting of the banking sector in order to maximize the growth outcome. These sources are detailed below.

The PIP is the main funding tool for the National Growth Strategy. It is designed to pave the way for the priorities set by the Strategy but also to mobilize other sources of funding such as private investments and bank lending.

In 2018 the budget of the Public Investment Program (PIP) is 6,75 bn €. In the following years and within the framework of the Medium Term Fiscal Strategy the PIP budget increases consistently (reaches 7,3 bn € for each one of the years 2019-2022).

Moreover, 2 bn € per year become available in the economy in the following years from funds of the EIB, of the EBRD, of the World Bank and of other International Financing Institutions based on projects and programs that have been initiated from the aforementioned Institutions along with funds of the PIP and the Partnership Agreement (ESPA). (This amount of 2 bn € per year is a modest forecast based on the current data. Indicatively we mention that in 2017 the amount of disbursements in the economy from the EIB and EBRD were 2,57 bn € based on data

of these two Banks).

It is therefore estimated, that in the following 5 years, 45-50 bn € will flow into the economy from the PIP and the cooperation of the government with the abovementioned International Financing Institutions. Moreover and based on the macroeconomic model of the Greek economy that is used by the Ministry of Finance, a multiplier between 1,5 and 2,0 should be applied in the above amount in order to calculate the total impact of public investment in the next 5 years.

### 5.1.1. Structural and other EU funds

The co-funded part of the PIP is the largest in terms of volume, as it integrates the European funds managed by the country (NSRF 2014-2020, the AMIF and ISF Funds for Migration Management, the Globalization Fund, etc.)

#### ESPA 2014-2020 - European Regional Development Fund, European Social Fund, Cohesion Fund

The ESPA2014-2020 strategic priorities (apart from the specific field of Rural Development) include three pillars: Smart Growth, Inclusive Development and Sustainable Development.

Smart Growth focuses on eight primary sectors (Energy, Agri-Food, ICT, Environment, Pharmaceuticals, Health, Transport and Logistics, Culture and Tourism) in which the country has a strong competitive advantage. The resources allocated to these sectors are expected to create a friendly business environment and an attractive investment environment, boost export capacity, increase added value, promote employment, foster cooperation and entrepreneurial culture, strengthen Innovation and Research and Development (R&D).

The second pillar, Inclusive Development, focuses on addressing the social costs of the crisis and on re-linking human capital with the labour market. It includes, among others, programmes on social inclusion, tackling poverty and supporting the long-term unemployed. It also promotes the overall reform of the education system, the development of vocational education and training and the strengthening of Social and Solidarity Economy Enterprises.

The third pillar, Sustainable Development, aims at allocating resources to renewable energy, energy saving and to the protection of the environment.

The three pillars are complemented by horizontal policies that aim to the upgrade of public administration and to the modernization and development of new

energy, public infrastructure and transport networks.

ESPA therefore relies on a strong strategic approach with a view to ensuring the most effective and efficient use of the ESI Funds available for Greece during 2014-2020. This strategic document (ESPA 2014-2020) constitutes the main vehicle for investments through the PIP budget (ESPA projects exceed 80% of the total PIP budget) to support & promote competitiveness and innovation and hence lay the foundations to build upon a new economic model; tackles and mitigates the severe effects of economic and social crisis hit by high unemployment and hence helps Greece's sustainable exit from the crisis; triggers and pursues the foreseen modernization of public administration & promotes structural and administrative reforms.

This clear and strong prioritization of development needs provides added value to the objectives set. The key sectors identified are the drivers for growth and jobs. This represents a strong and visible difference to the relevant experiences of previous Funds programming and implementation. The same visible difference in approach is also seen with the effective implementation of the smart specialization strategies that are taken on board in this process of prioritization and also the significant increase in the funding of four key Thematic Objectives (R&D, ICT, Energy and SMEs support). As an example, there is a clear doubling in the percentage of Innovation from 4% in the period 2007-13 to 8% of ERDF in the period 2014-20.

Efforts focus on a business-friendly environment which attracts innovation and investments by the simplification of start-up procedures, reduction of administrative burdens, and export facilitation.

The enhancement of the efficiency of public administration & institutional capacity has become imperative and therefore, the reform of administration and improvement of administrative capacity receives a special focus in the ESPA. There is a clear focus on key areas such as e-government, health, justice, cadastre, taxation etc. that can contribute to raising the overall efficiency of the economy by enhancing the State's capacity to implement legislation and thereby improve the business environment.

ICT and digital convergence are essential to ensure the transformation of the country into a modern economy. Possible shortcomings of previous periods in this field i.e. the lack of an efficient policy making and coordination mechanism, costing, procurement, implementation and business operation of ICT projects are now faced effectively with the establishment of a General Secretariat for Digital Policy and a Specific

Digital Strategy. The necessary steps to improve ICT effectiveness have been clearly outlined and therefore focus is now given on targeted projects that support administrative reform (e-government), while the necessary funding is available to support the on-going transition to e-procurement, e-invoicing and the development of a digital market.

The ESPA strategy addressed so far and will continue to do so, the major short- and medium-term priorities to alleviate the severe economic and social impacts of the crisis. To this end, priority was given to fighting unemployment, addressing the liquidity problem faced by the SMEs and enabling development of a long-term growth strategy, based on the competitive advantages of the country and its regions. This strategy lays the foundations for a solid and competitive economy.

Reforms in education & vocational education and training are crucial in order to prepare and upgrade labour force skills to match the needs of the market. The necessary funds are injected in these fields aiming particularly at facilitating the planned expansion of vocational education and training and the essential educational reforms. Implementation of the Youth Guarantee is also crucial in order to bring the young people into the productive economy and is therefore integrated in the ESI funds mainstream approach, including by contributing to create jobs opportunities in SMEs.

### **ESPA 2014-2020 - European Agricultural Fund for Rural Development**

The programme's strategy is structured around two interconnected and complementary key objectives:

- The transition to a strong, sustainable agri-food system.
  - The increase of the «added» value of rural areas.
- Through strategic planning centred around:
- Enhancing the competitiveness and productivity of the agri-food system and strengthening the value chain of domestic agricultural products.
  - Human capital development and boosting of entrepreneurship and innovation.
  - Protecting the environment and natural resources and addressing and / or adapting to climate change.
  - Strengthening social cohesion in rural areas.

### 5.1.2. National Resources

The National Public Investment Programme is a critical source of funding for the Development Strategy. On the one hand, it supports areas and priorities of the Strategy which are not eligible through the European Structural Funds. On the other hand, its resources can be combined with resources of European financial instruments, mobilizing private and banking investments, thus achieving a significant leverage of available resources.

National PIP finances small and medium-sized infrastructure projects across the country, with priority in transport, supply chain, energy, environment, civil protection, culture and tourism. Furthermore, it funds research and innovation and supports the welfare state, through programmes for health, education, the integration of human capital into the labour market and the elimination of social exclusion of vulnerable groups of the population.

National PIP's budget has significantly grown in recent years and from the low point of € 700 million

in 2015, it more than doubled to € 1.55 bn, in the budget of 2019. In addition, the modernization of the institutional framework governing its operations and its supplementation with an integrated management system based on the ESPA standards are scheduled for 2018, in order to ensure transparency and optimal use of its resources.

The application of the new integrated management system, is expected to establish a new template of targeted interventions and measurable results, and to put in place the implementation of a monitoring system which will ensure the reduction of underspends, overbookings and other budget discrepancies.

In this context National PIP will give more space to the implementation of the growth strategy, as an autonomous programming tool, which complements the priorities of the EU structural funds' and other financial instruments.

## 5.2. Mixed funding

The Greek Government has created a range of programmes and new financial tools that combine public resources with other sources of finance such as the Juncker Plan, thus multiplying their growth impact on the economy. Tools specifically designed to provide tailor made funding to SMEs and support Authorities to build crucial infrastructures. In addition, we have strengthened our cooperation with international financial institutions such as the EIB and the EBRD, attracting additional funds to the Greek economy. In the tools and programs listed below, participate both Financial Institutions (international and domestic) and private investors. These tools have emerged after an ex ante evaluation that has been carried out; this evaluation examined the funding gap and explored alternative financing options and mechanisms. In the next few years there will be a continuous effort to close the funding gap through more targeted programs.

### 5.2.1. Tools for Small and Medium Enterprises (SMEs)

- "EquiFund" Equity Fund: Provides funds in the form of Equity, Venture Capital, Seed Capital, etc. Funding: € 200m of European and national resources. EIF participates with € 60 million and EIB with approximately € 40 million from the Juncker Plan, EFSI. Lastly, private investors contribute with additional own resources. Thus, the total funds available to businesses are close to € 500 million.

- Risk Allocation Fund, "Entrepreneurship Fund I and II": grants loans to SMEs by lowering the interest rate or guarantees required by banks. Funding: € 400 million through NSRF, € 200 million revolving funds

from the corresponding instrument of the previous NSRF and an additional € 600 million bank capital.

- Global Loan: Liquidity collateral by the European Investment Bank to the 4 Systemic Banks to grant loans exclusively to SMEs, guaranteed by the Greek State. The total volume of funds to be channelled to businesses is 1 bn euros.

- Trade Finance Facility: It is the first product of this type by the EIB and is available exclusively in Greece. The programme provides guarantees of € 500 million to foreign banks, covering 85% of all risks from the export activities of Greek SMEs.

**Planned**

- Creating an Equity Fund of Funds that will use PIB resources, under the new Development Law. Complementary to EquiFund, it will cover a significant part of the demand for venture capital and private equity financing.

Furthermore, to cover the funding gap of SMEs we are developing a healthy microfinance and crowdfunding environment in order to provide sufficient and tailor-made financial instruments at reasonable cost to small and social enterprises.

**Microfinance**

Microfinance is the provision of funding to entrepreneurs, small businesses and groups with limited access to bank or other traditional means of funding. In the EU, it is widely acknowledged as an efficient means to tackle social and financial exclusion. The Government, by formulating and implementing microfinance policies has a twofold target.

- Developing Microfinance Institutions (MFIs) as a secondary financing market.
- Supporting Small and Medium Enterprises as

well as other economic and social groups.

MFI networks will be developed as an extension and complement to the main financial markets, aiming to fill financing gaps. They will be able to provide loans up to 25,000€ to SMEs, Social Enterprises and other target groups. In order to ensure the proper functioning of those institutions, the Government will lay out a strict legal framework to oversee and regulate the operation of MFIs and guarantee adequate consumer protection.

**Crowdfunding**

Crowdfunding was recently introduced in the Greek legal system. The law oversees the eligibility requirements of system administrators and the conditions under which they operate. It limits the securities' value to 500,000€ per issuer for a 12-month period, introduces restrictions to ensure the spreading out investment risk, organizational requirements for administrators, as well as minimal information provision (detailed risk factors, warnings of potential capital loss, and so forth).

These strategies and instruments seek to implement a sustainable finance strategy, in line with specific EU policies.

**5.2.2. Tools for infrastructure**

Apart from SMEs we are developing a variety of financing instruments to promote new infrastructure and energy efficiency projects. These financing tools and programs have been designed to support public, private or PPP projects.

- Infrastructure Fund: The fund will finance small and medium-sized infrastructure projects, particularly in the energy and environmental sectors, as well as tourism and urban development projects. To fund the fund, resources totalling € 450 million, of which € 200 million from the National Strategic Reference Framework (NSRF) and the remaining € 250 million from national resources from a Greek government loan from the EIB, have been activated.

- Philodemos I and II Programme with € 2bn: is a programme for granting investment loans to Local Authorities (Municipalities – Regions). It will provide loans to local authorities by the Consignment Deposits and Loans Fund (CDLF) through an EIB financing line. It will finance projects for clean water supply, sewage, flood protection, natural disaster recovery, rehabilitation of agricultural land, rural

road construction and construction or restoration of municipal buildings.

- Local Spatial Plan Implementation Programme: It is a programme that will grant Investment loans to Municipalities for the preparation of Local Spatial Plans, under the responsibility of the Ministry of Environment and Energy, completing this way spatial planning for the whole country and ensuring legal and institutional security of investments. It is funded by the EIB and national resources.

- Energy Efficiency Programme for Private Residences: It will fund the energy upgrading of residential buildings, the smart use and the reduction of the consumption of primary energy. It is funded by the NSRF, National Resources and banking funds. The final investment is expected to reach € 1bn including private funding.

- Energy Efficiency Programme for Public Buildings: It will fund the energy upgrading of Public Buildings. The programme is under the responsibility of the Ministry of Environment and Energy and under EIB and national funding.

### 5.3. The New Development Law 4499/2016

A new Development Law was passed in 2016 that aims to generate more than EUR 11 bn in private investment by 2023 by providing incentives to the private sector.

The main goals of the new Development law are to:

- Create new jobs.
- Utilize the country's human resources with emphasis on the employment of skilled human capital to reverse the migration of young Greek scientists.
  - Encourage the production of high added value products and services.
  - Improve the technological level and competitiveness of enterprises.
  - Achieve smart specialization.
  - Develop networks, synergies, cooperative initiatives and generally support the social economy
  - Encourage mergers.
  - Strengthen through reform and intervention healthy and specialized entrepreneurship with an emphasis on small and medium-sized enterprises (SMEs).
    - Re-industrialize the country.
    - Reduce the ecological footprint.

It includes a variety of incentives such as:

- Tax exemptions for machinery equipment.
- Tax exemptions and subsidies for entrepreneurship.
  - Tax exemptions and subsidies for new or innovative SMEs, as well as for clusters and integrated regional or sectoral projects.
  - Public funding for intermediary funding organizations.
  - A fast-track procedure, fixed corporate income tax rate and large tax exemptions for major investments.

The investment projects that are covered by the new Law relate to all economic sectors, subject to certain exceptions such as steel, coal, synthetic fibres or shipbuilding.

### 5.4. Establishing a Development Bank

The HDB will facilitate access to finance for SMEs and start-ups, cooperatives and social enterprises as well as public entities. It will focus on quality, strategic and innovative projects, and infrastructure projects, and projects co-financed by the EIB. The HDB will also provide businesses with financial and project advisory, as well as provide expertise to the public sector.

The creation of a Development Bank is expected to promote long-term investments and economic development by supporting entrepreneurship. It will provide promotional investment and financing, financial and advisory services. To support these activities, it will issue securities and raise funds or capital. The HDB will not take deposits of any kind and will aim initially at indirect finance.

The HDB will be an evolution of the ETEAN Group. ETEAN Group will be restructured, its administrative capacity will be strengthened and EU best practice will be provided through Technical Assistance by a European development benchmark bank. A Single Management Entity will be created and act as a

central fund manager and guarantor for SMEs. The HDB will efficiently use the funds currently under its management. It will also use existing funds from partner institutions (e.g. TANEQ) and fund of funds whose management falls under ETEAN.

The HDB will not focus on retail banking and may also act as a wholesale intermediary for commercial banks, private investors and other financial intermediaries, be they aided or non-aided within a predefined remit based on ex-ante defined market failures without crowding out private-sector activity so as to avoid market distortions. More specifically, the HDB will facilitate access to finance for:

- Small and medium sized enterprises and business start-ups.

- Cooperatives and social enterprises.

- SPVs.

- Agencies, corporations and other entities under public law by providing financial and project advisory services and expertise for the strengthening of entrepreneurship.

It will also be able to guarantee loans participated in by the Bank, as primary or secondary obligor, in whole or in part. The HDB will focus on key projects, notably:

- Quality, strategic and innovative projects.

- Infrastructural projects, particularly those that enhance Greece's competitiveness or involve urban renewal.

- Projects in the interest of the Greek and European Union that are co-financed by the European Investment Bank or similar multilateral financing institutions.

The HDB will also provide businesses with financial and project advisory, as well as provide expertise to the public sector for the promotion of entrepreneurship and contribute to the elaboration of the national growth strategy.

The Bank may raise medium and short-term funding, and issue fixed or floating rate certificates to domestic and international investors. The cooperation with European National Promotional Banks, other European/International financial institutions and sovereign financial institutions is envisaged to further finance the scope of intervention of HDB.

The implementation of the HDB is estimated in the second half of 2018 after the delivery of the feasibility study for the transformation of ETEAN into the Hellenic Development Bank.

## 5.5. Financial Sector

**The financial crisis has revealed weaknesses in the management of the banking sector and severely impaired the ability of the Greek banking system to support the economy with adequate financing. Priority is now given to simultaneously reducing NPLs, eliminating capital controls and improving bank governance, as well as to strengthening and diversifying the financial sector to improve its resilience, increase savings in the Greek economy and the ability of the sector to serve the growing needs of the real economy.**

Greece's financial system has to serve the needs of a growing economy and allow Greek firms to develop existing and new products, as well as to reach new markets. The Greek financial sector is largely bank-based. The past twenty years have seen important changes in the financial sector. In the early 2000's, regulations and practices were aligned with those of the EU and the Eurozone. The global financial crisis of 2008 and the Eurozone crisis of 2010, however, took a toll on the Greek financial sector. Following the crisis, the banking sector has been recapitalized and restructured, and it is progressively getting back on track. The flourishing securities market was also severely impacted by the crisis, and it is slowly recovering. The

digitalization of banking services and new financial products are opening up new opportunities, which will increase liquidity and improve overall financing conditions.

The Greek government wants to accelerate the transformation of the Greek financial sector. Its strategy puts forward four strategic priorities at the 2021 horizon:

- Strengthening and diversifying the banking sector.
- Reducing NPLs.
- Improving bank governance.
- Relaxing and eliminating capital controls.



### 5.5.1. Strengthening and diversifying the banking sector

Although the economic and financial environment has recently improved, the Greek economy still operates under significant liquidity constraints that limit new lending. It calls for a mixed strategy to both strengthen and diversify the financial system.

Following the reforms and consolidation of the last 7 years, the Greek banking sector consists of four systemic banks, as well as non-systemic ones – of which six are cooperative banks. It is the most highly concentrated in the Eurozone, as the systemic banks hold around 96% of total financial assets.

Following the December 2015 recapitalization, the systemic banks are well capitalized, with capital ratios above regulatory thresholds (17.1% average of CET1), and above the 15% EU average. On the liquidity front, important improvements include a stable increase of household and corporate deposits, a significant reduction of ELA (by 25.2 B EUR in 2016 and 22.1 B EUR in 2017), an improved bank access to financial markets through covered bond issues of 2.25 B EUR and interbank repos, a gradual relaxation of capital controls, and a further decline in interest rates. Keeping the capitalization of the banks at comfortable levels is recognized as a highly important element of the strategy.

In order to safeguard the stability of the highly-concentrated banking sector, a certain degree of diversification is also desirable. Attracting strategic investors and new talent and promoting innovation and out-of-the-box thinking will allow the banking sector strengthen its position in the markets and improve its services. In that way, appropriate capital and know-how will be introduced, to achieve high standards of modern banking and improve both the design and implementation of strategic decisions while relevant national and European requirements regarding good governance and the protection of data and the security of the systems will be thoroughly applied.

Particular emphasis will also be put on the development of cooperative banks that operate at the regional level and the improvement of their corporate governance to achieve high standards. They contribute to the real economy by financing small and medium-sized enterprises, as well as designing and providing investment solutions to meet increasing and complex local business needs. In that, they are key to local economic development.

Overall, the Greek banking sector has undergone deep structural changes. It has been recapitalized and consolidated, corporate governance has

improved, and its operations have been rationalized, including through the sale of non-core or foreign assets. A continued effort in this direction constitutes a strategic priority for 2021.

### 5.5.2. Reducing NPLs

The stock of NPLs on bank balance sheet remains high. The Greek government has introduced an important number of reforms to actively tackle the issue that include:

- Introducing the Out of Court settlement mechanism, through a fully operational platform, to facilitate debt resolution of viable enterprises, which affects private and public creditors.

- Amending the Code of Civil Procedure (CCP) to improve the enforcement of secured creditors rights, including through electronic auctions, and improving the ranking of the secured creditors for newly originated credit.

- Introducing incentives and lifting obstacles in settling and restructuring debts, mainly by issuing primary and secondary legislation to address the liability of banks' and official sector's restructuring personnel, to resolve the issue regarding tax losses arising from loan restructuring, write-offs or sales to be carried forward and be offset against the taxable profits of each corresponding year to extend the exemption of write-offs from income taxes, etc.

- Improving the insolvency framework, mainly by issuing primary and secondary legislation to regulate the insolvency administrator profession, to improve the household insolvency resolution framework (mainly in terms of procedure), to improve the training of insolvency judges.

- Enhancing the Special Secretariat for Managing Private Debt that coordinates the decisions and strategy of the Governmental Council for the Management of the Private Debt.

- Monitoring the achievement of NPL reduction targets submitted by banks to the ECB-SSM. Under those targets, NPEs will decrease from 101.8 B€ to 64.6 B€ (-37.2%), and NPLs from 72.8 B€ to 38.6bn € (-47%) between June 2017 and 2019.

- Developing a secondary market for NPLs in line with international best practices and EU principles, by issuing legislation to regulate the transfer and servicing of NPLs. Lowering barriers to entry will allow specialized entities to be licensed as loan servicers and to acquire loans, significantly increasing participants and know-how in NPL management. Tax incentives and procedural provisions will ensure

the smooth operation of the NPL market, while protecting consumer data and rights, in line with EU legislation. Recent EU legislative proposals will serve to further amend this framework.

- Establishing a Credit Bureau a real estate transactions register.

These reforms will allow reducing drastically the stock of NPLs to enhance the capacity of the Banks to concentrate on their commercial function and support the activities of viable businesses and the real economy. It will also help safeguard social justice

### 5.5.3. Improving bank governance

Effective corporate governance has received increased attention in recent years. It is essential to the functioning of the banking sector and the economy as a whole.

For two years, the Hellenic Financial Stability Fund (HFSF) has been actively evaluating corporate board members and governance arrangements of systemic banks. As a result, the composition of banks' boards changed radically, with the gradual replacement of 76% of Non-Executive Directors in 2016 and 2017. Banks have also succeeded in bringing international experience in their boards. Simultaneously, HFSF governance has improved as an independent Selection Panel now evaluates its members every year.

### 5.5.4. Relaxing and eliminating capital controls

Upon the imposition of capital controls, a Special Committee for the approval of Banking Transactions (BTAC) was created to facilitate transactions and to prevent any major economic bottlenecks. Since then, the BTAC has been examining bank transactions and capital movements' requests of interested parties. Restrictions are being gradually lifted.

In May 2017, the authorities published a roadmap for the gradual relaxation of controls, in consultation with the Institutions. It describes the strategy and conditions for relaxation and, ultimately, elimination of all restrictions. The latest steps of the roadmap include:

- Lifting restrictions on the early termination of time deposits and early repayment of loans.
- Increasing cash withdrawal limits, international

and cohesion by protecting vulnerable households.

Looking forward, the Greek government will continue the efforts in the relevant field by monitoring the implementation of the above reforms and making improvements or additions, where necessary, also in line with the developments at EU level.

That includes, among others, assessing the costs and benefits of adopting in parallel alternative NPLs resolution procedures, such as establishing an Asset Management Company, in compliance with the recent European Commission guidelines on the AMC Blueprint.

Additional actions will be taken to improve risk culture, compliance and internal control, in order to promote best practices and standards in corporate governance and Board performance.

The gradual decrease of the participation of the State in the systemic banks will be thoroughly designed, on the basis of a rational shareholder's practice, in order to achieve fair terms and a smooth transition. Finding strategic investors would be coherent also with the above-mentioned strategy for strengthening financial stability. The above-mentioned design will include, among others, a roadmap for the "Exit Strategy" and the role of the HFSF in these processes, according to what is already foreseen in the HFSF Law [articles 2(3) & 16A(6)].

transfer limits, and the withdrawal rate of capital transferred from abroad.

- Abolishing restrictions on opening business and individual accounts.

The next steps will improve economic performance while ensuring liquidity in the system. They include:

- Repealing cash withdrawals limitations. Combined with the abolished restrictions on the opening of new accounts, it will complete the liberalization of domestic transactions and the abolition of the second pillar of restrictions.

- Increasing the limits for transferring capital abroad for enterprises and individuals.

- Increasing the current transactions approval threshold, with a view to conferring that competence to bank sub-committees.

## Key Upcoming Policy Actions

| Ensuring Fiscal Sustainability  |                        |
|---|------------------------|
| Update, adoption and implementation of the MTFS   | Ongoing                |
| Continuation and full implementation of the Treasury Single Account (TSA) reform  | End-2021               |
| Introduction of a new legal framework   | 2018 Q2                |
| Introduction of regular cash flow forecasting by the largest GG entities  | 2018 Q2                |
| Completion of the transfer of all entities directly with the TSA  | End-2021               |
| Completion of the new Chart of Accounts   | End-2022               |
| State Budget 2019 according to the new Chart of Accounts  | 2018 Q4                |
| Drafting of comprehensive accounting rules  | 2019 Q4                |
| Expansion of the Chart of Accounts to all GG entities   | End-2022               |
| Arrears clearance   | 2019 Q1                |
| Full elimination of arrears   | 2018 Q3                |
| Addressing the structural causes for the accumulation of arrears  | Ongoing and continuous |
| [a] First group of measures   | [a] 2018 Q2            |
| [b] New assessment  | [b] 2018 Q4            |
| [c] Second group of measures, if needed   | [c] 2019 Q1            |
| Implementation of measures aiming at combating tax avoidance  | Ongoing and continuous |
| Simplification of tax legislation   | Ongoing                |
| Cross-checking of declaration and deposits  | Ongoing and continuous |
| Extending the use of electronic payments  | Continuous action      |
| Integration of the OECD's Base Erosion and Profit Shifting measures (BEPS) into Greek legislation to combat tax evasion of large enterprises. | Continuous action      |
| Assets registry by end of 2018  | End 2018               |
| Legislation for fuel smuggling until June 2019  | 2019 Q2                |
| Permanent valuation mechanism to make regular future updates of tax property values   | 2019 Q2                |

**Annex 1:** Upcoming Policy Actions

|  |                   |
|--|-------------------|
| Ensuring smooth operation of the IAPR and timely implementation of its strategic plan  | Ongoing           |
| Biannual updates and timely implementation of the National Strategy for Public Procurements  | Ongoing           |
| Tackling Social Security Contributions evasion   | 2020 Q2           |
| ESF Funding has been granted for the project and relevant tender procedures have begun.  | 2018 Q3           |
| Finalisation of all the administrative procedures and full activation of the project   | 2018 Q4           |
| Completion of the project  | 2020 Q2           |
| <b>Fostering Sustainable Growth</b>  |                   |
| <b>Creating More and Better Jobs</b>   |                   |
| <b>1. Implementation of a 3-year action plan for tackling undeclared work.</b><br>The action has already been developed. Significant actions of the roadmap include: | 2017 Q1 – 2019 Q3 |
| 1a. Labour inspections in the agriculture  | 2019 Q2           |
| TA has been provided   | Ongoing           |
| Finalisation of the relevant legal framework   | 2018 Q4           |
| Operational improvements and legal adaptations   | 2019 Q2           |
| 1b. SEPE's digital governance. Completion of labour's market monitoring mechanism  | Ongoing           |
| ESF funding has been granted for the upgrade and completion of SEPE's IT system  | Ongoing           |
| Finalisation of the first phase (first updates on ERGANI and interoperability with other IT systems)   | 2018 Q2           |
| Finalisation of the roadmap for the second phase   | 2018 Q3           |

**Annex 1:** Upcoming Policy Actions

|   |                       |
|---|-----------------------|
| <b>Restoration of collective bargaining agreements</b><br>Based on current legislation, the extension and favourability principles will be restored with the end of ESM programme   | 2018 Q3               |
| Implementation of the new framework for establishing the minimum wage   | 2018 Q4               |
| Finalisation of committee's report  | 2018 Q3               |
| Completion of social partners' and relevant implemented bodies' consultation  | 2018 Q3               |
| Finalisation of the annual report, based on the existing framework for the evaluation of minimum wage levels  | 2018 Q4               |
| Employment programme for precarious workers   | 2018 Q3-2021 Q4       |
| Introduction of the open framework model for ALMPs  | 2018 Q2 (Pilot Scale) |
| Adoption of relevant secondary legislation  | 2018 Q2               |
| Completion of all actions for the pilot programme to be fully operational   | 2018 Q3               |
| Adaptation of an integrated action plan for human capital development   | 2018 Q2               |
| <b>Enhancing productivity</b>   |                       |
| Strengthening initiatives such as the Industry Forum Initiative for the coordination of economic, social and productive partners  | Ongoing               |
| Enhancement of the Industry Forum operation for the processing of the industrial policy proposals, in collaboration with the stakeholders involved  | Ongoing - 2020        |
| Establishment of a legal body governed by private law: "Greek Innovation Node for the connection of the Agri-Food-Industry-Tourism" sectors and the implementation of an "Action Plan" for the connection of Tourism with Agri-food and processing. | 2018 Q4               |
| Implementation of an "Action plan" for the development of the domestic pharmaceutical industry, through the establishment of a policy framework for the determination of the conditions for the growth of the clinical studies in Greece.           | 2018 Q4               |

**Annex 1:** Upcoming Policy Actions

| Agri-Food Sector  |                |
|---|----------------|
| Timely implementation of the “National Strategic Plan for the Agri-food Sector”<br>The plan includes policy measures which support five operational priorities:   | Ongoing - 2020 |
| Enhancing the competitiveness and productivity of the Agri-food sector with policy measures which support collective forms of organization of production, contribute to the modernization of farm holdings and to the reduction of the cost of production, the construction of public infrastructure and the provision of supportive structures of advisory services, knowledge transfer and innovation for the improvement of productivity and competitiveness | Ongoing - 2020 |
| Increasing the value chain of domestically produced goods with policy measures that enhance value added production and the certification of the quality and safety of production and extroversion   | Ongoing - 2020 |
| Development of human resources and improvement of entrepreneurship with policy measures supporting the settlement and startup of young farmers, education and training  | Ongoing - 2020 |
| Protecting the environment and natural resources and adjusting to climate change with targeted agri-environmental measures which at the same time contribute to the quality and added value of the product  | Ongoing - 2020 |
| Enhancing the social fiber of rural areas with local development policy measures through public and private investments that target the diversification of household incomes and the access to services of digital support (CLLD/LEADER and rural broadband)  | Ongoing - 2020 |

## Annex 1: Upcoming Policy Actions

| <b>Strategy for a Sustainable Tourism</b>   |                  |
|---|------------------|
| <b>Implementation of the National and Regional Tourism Policy framework</b><br><b>Key policy actions:</b>   | <b>Ongoing</b>   |
| Development and implementation of a 3-year "Action Plan" for thematic tourism   | 2018 - 2020      |
| Design of a competitive framework for attracting investments in priority areas (health and wellness, tourism ports, large accommodation infrastructure) | 2018 Q4          |
| Design of a competitive framework for attracting investments in priority areas (health and wellness, tourism ports, large accommodation infrastructure) | 2018 Q4          |
| Development of incentives framework for new touristic products, MICE, golf, touristic villages, etc.  | 2018 Q4 - 2020   |
| Design and implementation of a special programme for increasing capacity and upgrading quality and services in 4 and 5 hotels                           | 2018 - 2020      |
| Design and implementation of a program for tourism enterprises to operate throughout the year   | 2018 - 2020      |
| Global promotion of branding "Greece: 365-day destination"  | Ongoing-2020     |
| <b>Research and Innovation</b>  |                  |
| Completion of the existing calls and programing of new actions from the Hellenic foundation for Research and Innovation                                 | Ongoing-2020     |
| Creation of funding tools   | Ongoing          |
| Promoting innovative entrepreneurship through Structural funds, EquiFund and incentives for private investment in R & D.                                | Ongoing          |
| Financing entrepreneurs and SMEs with the new financing instruments such as: Crowdfunding, Equifund and Entrepreneurship fund                           | Ongoing          |
| <b>Extroversion</b>   |                  |
| Completion of the implementation of the "National Action Plan for Exports"  | Ongoing-end 2022 |
| Introduce the New Framework for private and strategic investments   | 2018 Q3          |

| Improving the Business Environment and Boosting Investment  |                 |
|---|-----------------|
| <b>Modernization of Public Administration</b>   |                 |
| <b>Modern system of recruitment planning and procedures in Public Administration</b>  | 2019 Q4         |
| Situation analysis. Identification of best EU and international practices, in collaboration with Technical Assistance   | 2018 Q4         |
| Drafting the general guidelines for the process and methodology of a new system of recruitment planning, including the use of an IT tool, as well as the strengthening of ASEP as to accelerate the recruitment process | 2019 Q1         |
| Adoption of legislation   | 2019 Q3         |
| <b>Development of process-based management tools (Process Registry) for Public Administration</b>   | 2019 Q4         |
| Development of guidelines for modelling and simplifying administrative processes in collaboration with Technical Assistance   | 2018 Q4         |
| Development and implementation of an "Action Plan" for a Process Registry   | 2019 Q1-2019 Q4 |
| <b>Codification of legislation</b>  |                 |
| Completion of the codification of: a) eGovernment legislation and b) Code of Administrative Procedures  | 2018 Q3         |
| Completion of the codification of a) Civil Servants Code and b) the Legislation on Open Government  | 2018 Q4         |
| Completion of the e-platform "National Codification Portal"   | 2022 Q2         |
| Gradual uploading of codified regulations   | 2022 Q2         |
| <b>Completion of the appointments of Directors and Head of Units of ministries</b>  | 2019 Q1         |
| <b>Digitalization of the Human Resources Management System for Public Administration</b>  | 2019 Q4         |



## Annex 1: Upcoming Policy Actions

|   |  |
|---|--|
| <b>Finalisation of a comprehensive digital organigram for all public entities</b>   | 2019 Q4  |
| <b>Full implementation of the new mobility scheme</b>   | 2019 Q4  |
| <b>Enhancing supporting and monitoring mechanisms</b>   | 2019 Q4  |
| Establishing a Public Administration Observatory for the monitoring of the progress of the administrative reforms   | 2019 Q2  |
| Establishing an Internal Technical Assistance mechanism that will facilitate the diffusion of policies and international and European best practices across the public administration   | 2019 Q2  |
| <b>Enhancing supporting and monitoring mechanisms</b>   | 2019 Q4  |
| Establishing a Public Administration Observatory for the monitoring of the progress of the administrative reforms   | 2019 Q2  |
| Establishing an Internal Technical Assistance mechanism that will facilitate the diffusion of policies and international and European best practices across the public administration   | 2019 Q2  |
| <b>Regular upgrades and timely implementation of the "National Anti-Corruption Plan"</b>  | Ongoing  |
| <b>Justice Reforms</b>  |  |
| Completion of phase I and roll-out of phase II of the Integrated Judicial Management Systems of Political and Criminal Justice, aiming at speeding up court proceedings and achieving the "Paperless Trial" and the production of reliable statistics | Phase I: End-2018<br>Phase II: 2020 Q1<br>(Completion) |
| Completion of the study for the decentralisation of First Instance Court of Athens and the relevant implementation roadmap  | 2018 Q4  |
| Further implementation of the Insolvency Administrator profession   | Ongoing  |

## Annex 1: Upcoming Policy Actions

| <b>Improving Business Environment</b>  |                    |
|--|--------------------|
| Expansion of functions and further digitalization of One Stop Shop for Businesses  | 2019 Q4            |
| Completion of new inspections system   | 2022 Q2            |
| Development of an investment coordination framework for FDIs   | 2018 Q4            |
| Operation of the Entrepreneurship Observatory for policy design, better regulation and ex post assessment purposes   | 2019 Q4            |
| Issuance of secondary legislation regarding environmental infrastructures  | 2018 Q4            |
| Extension of simplification of investment licensing procedures to other sectors  | 2020 Q2            |
| Business Parks: Revision of the National special spatial framework for Industry incorporating the findings of the Action Plan for the development of Business Parks          | 2020 Q4            |
| Deployment of ICT system for licensing and inspections   | 2020 Q4            |
| Revision of nuisance classification  | 2021 Q2            |
| <b>Simplification and acceleration of licensing procedures in the construction industry (Operation of the digital system)</b>  | <b>2018 Q3</b>     |
| <b>Cadastre and Spatial Planning</b>   |                    |
| <b>Implementation of the "Action Plan" for the Hellenic Cadastre</b>   | <b>2021 Q2</b>     |
| Definition of coastline  | 2019 Q1            |
| Completion of the migration phase  | 2020 Q2            |
| Completion and adoption of the forest maps   | 2020               |
| Full operation of the new agency and completion of cadastral mapping   | 2021               |
| <b>Completion of the spatial planning reforms</b>  | <b>2018 - 2021</b> |
| Implementation of the secondary legislation for the new institutional framework  | End-2018           |
| Drawing up of Local Spatial Plans across the country   | 2018 Q4 (Starting) |
| Revision of the Regional Spatial Planning  | 2018 Q3            |
| Integration of Special Spatial Frameworks for the main economic activities such as Tourism (2019), Industry (2020), Mineral Resources (2020), RES (2020), Aquaculture (2021) | End-2021 Q4        |
| Adoption of a PD establishing organized areas for aquaculture in the entire country in accordance with the current spatial framework   | 2019 Q4            |

## Annex 1: Upcoming Policy Actions

| Structural Conditions for Growth  |                           |
|---|---------------------------|
| Infrastructure and Networks Energy projects   |                           |
| Transport and logistics   |                           |
| Finalisation and implementation of the "National Strategic Transport Plan"  | Ongoing                   |
| Implementation of the "National Action Plan for Logistics"  | Ongoing (completion 2020) |
| Extroversion actions of supervised entities that are participating in EU calls for the consultation services and research projects.   | Ongoing (completion 2021) |
| Completion of the PATHEP railway network. Completion of studies and programming of works for the connection of the secondary axes with the main roads   | Ongoing                   |
| Funding tools for the promotion of infrastructures with social impact such as: public buildings for educational use, justice, flood défense projects, etc. Implementation and programming based on the infrastructures social imprint | Ongoing (completion 2021) |
| Establishment and promotion of an analog toll system  | Ongoing                   |
| Completion of the basic road network. Completion of studies and programming of works for the connection of the secondary axes with the main roads   | Ongoing (completion 2021) |
| Upgrade the infrastructure from the ports of Piraeus, Thessaloniki and Northern Greece to the Balkan inlands and Central and Eastern European countries   | Ongoing                   |
| Development and elaboration of integrated plans for the creation and establishment of commercial centers  | 2018 Q4                   |
| Making use of financing tools and modern technologies for the empowerment of the role of public transport   | 2018 Q4                   |
| Development of integrated plans and works for the development of intermodal nodes.  | 2019 Q1                   |
| Digital Policy  |                           |
| Setting up a single digital gateway   | 2018 Q4 - 2021 Q4         |
| The Electronic Document Handling System will be extended to all Public Administration Sectors and then to the Local Authorities and the Chambers  | 2018 Q3 - end 2018        |
| Design and Development of new broadband projects aimed at achieving the connectivity goals set by the Europe 2020 Digital Agenda and by the Gigabit Society 2025  | 2018 Q3                   |

## Annex 1: Upcoming Policy Actions

|   |   |
|---|---|
| Establishment of the use of radiozones 694 – 790 from mobile services   | 2020 Q4   |
| Creation of a competitive audiovisual sector through the enhancement of the domestic entrepreneurship and the attraction of investments from abroad     | Ongoing   |
| <b>Energy Policy</b>  |   |
| Implementation of the interconnection with the Mainland of Non-Interconnected Islands   | Ongoing - 1st Phase until 2018 Q2 - Interconnection of Cyclades NII |
| Implementation of the interconnection of Crete with the Mainland  | Phase I: End-2019<br>Phase II: End-2023                             |
| Energy efficiency measures in SMEs  | 2018, 2019, 2020  |
| Energy efficiency measures in public buildings  | 2018, 2019, 2020  |
| Energy efficiency measures through renovation of household buildings (25,000 renovations annually)  | Ongoing   |
| Auctions for new RES power plants   | 2600 MW until 2020  |
| Revision of the RES legal framework   | 2020 Q1   |
| Set-up of new entity – Power Exchange (HENEX) for the operation of the wholesale market after the implementation of Target Model                        | 2018 Q2   |
| Conclusion of implementation for DA, ID markets   | End - 2018  |
| Conclusion of implementation for FW market  | 2019 Q1   |
| Go-live of balancing, intra-day, day ahead and forward markets (adoption of Target Model)   | April 2019  |
| Market coupling in Day Ahead market   | 2019 Q2   |
| Expansion of gas distribution networks in Attica, Thessaly and Thessaloniki and other areas   | End - 2021  |
| Trans Adriatic Pipeline (TAP)   | Ongoing. Operation until end of 2019                                |
| Gas Interconnector Greece-Bulgaria (IGB Pipeline)   | 2020 Q2   |
| Alexandroupolis FSRU  | 2020  |
| Upgrade of Revithousa LNG station   | 2018 Q3   |
| Interconnector Greece-Italy Pipeline – Poseidon Pipeline  | 2023  |
| East Med Pipeline   | 2025  |
| CNG Infrastructure  | End - 2021  |
| Implementation of PPC's restructuring and strategic plan  | Ongoing   |
| Tackle arrears accumulation in the electricity market - Improve PPC's collection efficiency   | Ongoing, until 2020 Q2  |
| Improvement of energy efficiency and the enhance of mineral raw materials exploitation  | 2018 Q1   |
| Elaboration of the "National Energy and Climate Plan" until 2030. The first version of the "National Energy and Climate Plan" is expected in Q2/Q3 2018 | 2018 (Q2/Q3)  |
| Development of energy infrastructure through international projects   | Ongoing   |
| Measures for the opening of the natural gas market  | Ongoing, 2020 Q1  |

## Annex 1: Upcoming Policy Actions

| Management of State Assets   |              |
|--|--------------|
| Implementation of TAIPED's "Asset Development Plan"  | Ongoing      |
| Enhancement of TAIPED corporate structure and Corporate Governance   | Ongoing      |
| Implementation of the Strategic Plan of HCAP   | Ongoing      |
| Evaluation of SOEs business plans  | 2018 Q2      |
| KPIs and dashboards for SOEs   | 2018 Q3      |
| Assessment of the BoDs of SOEs   | Ongoing      |
| Assessment of the BoDs of ELTA and OASA  | 2018 Q2      |
| Organisational restructuring of ETAD   | 2018 Q3      |
| Fair and Inclusive Growth  |              |
| Promoting a socially-oriented economy  |              |
| Collective Forms of Business Initiatives   |              |
| Implementation of the Action Plan for the development of the Social and Solidarity Ecosystem 2017-2023   | Ongoing-2023 |
| Implement policies aiming at fostering the development of productive yet sustainable initiatives, based on social and cooperative economy values.                                    | Ongoing      |
| By Law 4513/2018 established and operationalized Energy Communities, with a view to promoting social and solidarity-based economy and innovation in the energy sector.               | 2018 Q1      |
| Formulate and implement microfinance policies by developing Microfinance Institutions (MFIs) and Supporting Small and Medium Enterprises as well as other economic and social groups | 2018 Q4      |
| Circular Economy   |              |
| Implement the National Plan for Waste Management and its National Strategic Plan for Waste Prevention  | Ongoing      |
| Establish "Green Resource Centres" at local level that will encourage repair, reuse, exchange, training in repair and reuse processes, etc.  | Ongoing      |
| Develop the "National Action Plan for Circular Economy"  | 2018 Q1      |
| Establish a permanent 'Circular Economy' Dialogue Forum with industry, businesses, SMEs, researchers, social entrepreneurs, etc.   | 2018 Q2      |
| Better define the differentiation between waste and product- Standards for the use of secondary raw materials  | 2018 Q3      |

## Annex 1: Upcoming Policy Actions

|  |                |
|--|----------------|
| Develop standards for the use of compost from organic waste  | 2018 Q3        |
| Introduce fiscal and financial incentives for businesses that apply/invest in frontline environmental and climate-friendly technology which improves performance beyond applicable standards   | 2018 Q4        |
| Create the regulatory framework for the production of bio-methane (green gas) from organic waste and further use (injection in the natural gas network or use as alternative transport fuel)   | 2019 Q2        |
| <b>Waste Resources Management</b>  |                |
| Develop wastewater infrastructure for all settlements above 2000 inhabitants   | Ongoing        |
| Upgrade of the Water Service Information System to provide transparent accounting of costs and pricing for all water service providers   | 2018 Q3        |
| Business Plans for the two major urban water service providers (EYDAP and EYATH S.A)   | 2018 Q3        |
| <b>Natural Resources Management</b>  |                |
| Develop of the Greek Strategy for the Sustainable Management of Forests  | 2018 Q4        |
| Develop and ratify Presidential Decrees for all NATURA 2000 areas  | 2018 Q4        |
| <b>Sustainable Development of Greek Islands</b>  |                |
| Redesigning the Map of Short Sea Shipping to complete the connection of islands, especially the most remote, between them (radial interconnection) and with the mainland   | 2018 - 2021    |
| Developing an integrated plan for maritime, air and land transport, in order to achieve timely transition of resident and visitors to and from the island  | 2019           |
| Upgrading of the islands infrastructures through port works, basic and environmental infrastructures   | 2018 - 2020    |
| Water autonomy for the remaining anhydrous islands and licensing for the construction of desalination facilities   | 2018 - 2019 Q2 |
| <b>Ensuring Inclusive Education</b>  |                |
| Launching of a "National Plan for Teacher Training"  | 2018 Q3        |
| Introduction of new mechanisms for school self-evaluation, assessing education executive personnel, reinforcing staff support by specialized personnel, creating new curricula and new teaching material for primary and secondary education, introducing new teaching and student assessment methods, creating supportive structures for schools. | 2018 Q3        |
| "Unified all-day Pre-Primary and Primary School"   | Ongoing        |

## Annex 1: Upcoming Policy Actions

|  |                  |
|--|------------------|
| Gradual introduction of compulsory two years of pre-school education   | 2018 Q3 -2020 Q3 |
| Introduction of a new system of entrance exams for higher education  | 2020 Q2          |
| Continuous improvement of: the integration-friendly approach adopted in special education the new structures for the integration of refugee and migrant children into the education  | Ongoing          |
| Continuous improvement of the framework for the operation of ASAE [The main goal of ASAE is to promote regional integration, but their role also includes monitoring and evaluation on the implementation of the strategic plan elaborated by each Institution and its budget spending]  | Ongoing          |
| Introduction of a Synergy Strategy between Universities, TEIs and Research Centres   | 2019 Q3          |
| Completion of the discussions and necessary legislation  | 2019 Q1          |
| Preparation of implementation  | 2019 Q2          |
| Starting implementation  | 2019 Q3          |
| National professional training program   |                  |
| Launching of two-year vocational education programs that will be organized and supervised by the HEIs in collaboration with other stakeholders representing market and local authorities   | 2019 Q3          |
| Upgrading of Vocational Education and Training (VET) programmes  | Ongoing          |
| Gradual adoption of the Apprenticeship scheme  | Ongoing          |
| Upgrading vocational Schools   | 2018-2021        |
| Development of the primary health care network   |                  |
| Establishment of 100 primary health units (To.M.Y.)  | Ongoing          |
| Establishment of 70 additional (To.M.Y.)   | 2018 Q1          |
| Establishment of 100 Local Health Units (To.M.Y.)  | 2018 Q2          |
| EOPYY's open call for contracting family doctors   | 2018 Q2          |
| Implementation of the strategic plan for health public procurements by the relevant entity (EKAPY)<br>The strategic plan includes:<br>Operational upgrading of EKAPY<br>Long-term planning of centralized procurements for a large share of the medical devices, medicines and services.<br>Improving the quality of information produced by the health system<br>Improving tendering procedures, using contemporary and competitive tools, providing training of staff, introduction of common standards (documents and procedures)<br>Upgrading the contribution of IT systems<br>Upgrading communication with international organizations and participating in relevant networks. | 2018 - 2021      |

## Annex 1: Upcoming Policy Actions

|   |                               |
|---|-------------------------------|
| Strengthening the effectiveness of hospitals. Indicative policy measures: Development of Business Intelligence IT system through which certain key indicators of hospitals will be accessible in quasi real time. Development (in collaboration with OECD) and implementation of a plan to fight corruption in the health sector. Development of DRG system for the reimbursement of hospital services, in order to monitor effectiveness and optimize efficiency and allocation of resources. Extension of the competency of the Negotiation Committee for Pharmaceuticals in order to include hospital drugs. | Ongoing                       |
| Continue the spending review, in collaboration with the GAO, in order to identify areas of waste  | Ongoing                       |
| Rationalization of health expenditures  | Ongoing                       |
| Adoption and implementation of measures aiming at increasing generic penetration  | Ongoing                       |
| Development of a critical mass of prescription guidelines and therapeutic protocols, and introduction in the e-prescription system  | Ongoing                       |
| Establishment of Health Technology Assessment Organization to evaluate which products to reimburse and under what agreements  | 2018 Q4                       |
| <b>Strengthening and Upgrading Social Protection</b>  |                               |
| <b>Social Insurance</b>   |                               |
| ESF funding has been granted  | 2018 Q2                       |
| Finalisation of all relevant administrative procedures  | 2018 Q2                       |
| Completion of the tender procedures   | 2018 Q4                       |
| Pension in one day  | 2019 Q4                       |
| Implementation of the EFKA's "Action Plan" for the merging of all former SSFs   | 2018 - 2020                   |
| <b>Social Solidarity</b>  |                               |
| Social investments for children and families (school meals, nurseries, housing benefits)  | 2018 Q2 (Starting)            |
| Measures for vulnerable groups (elderly, Roma, homeless)  | 2018 Q2 (Starting)            |
| Full implementation of the disability benefits reform   | According to TA's suggestions |
| National roll-out of the disability benefits reform   | According to TA's suggestions |
| Delivery of TA's suggestions for full implementation  | 2018 Q2                       |
| Full implementation according to TA's suggestions   | 2018 Q4                       |
| Expansion of the National Mechanism for the coordination, monitoring and evaluation of social inclusion policies  | 2018 Q2                       |
| Rolling-Out the National Social Solidarity System   | Ongoing                       |
| Fine tuning of the system   | 2018 Q4                       |
| De-institutionalization of children and people with disabilities  | 2018 - 2020                   |
| Introduction of a pilot programme starting  | 2018 Q2                       |
| Main results and improvements of the framework  | 2020 Q4                       |
| Elaboration and implementation of an "Action Plan" for the empowerment of young people  | 2018 Q2 (Starting)            |



| Financing Growth  |                 |
|---|-----------------|
| Timely implementation of the “Public Investment Programme (PIP)”  | Ongoing         |
| Completion of the modernisation of the National PIP   | 2019 Q1         |
| Completion of the roadmap for the relaxation and elimination of capital controls  | Ongoing         |
| Full implementation of the policies aiming at facilitating the reduction of NPLs. Amendments in view of improvements, if needed | 2018 Q3-2019 Q2 |
| Further improving bank governance   | Ongoing         |
| Establishing the Hellenic Development Bank  | 2018 Q4         |
| Ensure the smooth operation of the existent tools for financing SMEs and develop new ones                                       | Ongoing         |
| Develop financing instruments to promote new infrastructure and energy efficiency project                                       | 2018 Q4         |
| Full implementation of the current Development Law  | 2018 - 2023     |

## Annex 2: TAIPED Asset Development Plan

| Property Assets  | Type of Transaction                      | Current Status   | Completion 2017 | Completion 1H 2018 | Completion 2H 2018 and onwards |
|--|--|--|-----------------|--------------------|--------------------------------|
| 14 Regional Airports   | Concession                               | Completed  | ✓               |                    |                                |
| TRAI NOSE  | Sale of Shares (100%)                    | Completed  | ✓               |                    |                                |
| Hellenic Gas Transmission System Operator SA (DESFA)         | Sale of Shares (31%)                     | In progress  |                 | ✓                  |                                |
| Thessaloniki Port Authority (OLTH)                           | Sale of Shares (67%)                     | The SPA and the Shareholders' Agreement have been signed           |                 | ✓                  |                                |
| Hellenic Telecommunications Organisation S.A. (OTE)          | Sale of Shares (5%)                      | In progress  |                 | ✓                  |                                |
| Hellenic Company for Rolling Stock Maintenance S.A. (EESSTY) | Sale of Shares (100%)                    | In progress  |                 | ✓                  |                                |
| Athens International Airport S.A. (AIA)                      | Extension of concession                  | In consultation with the competent European regulatory authorities |                 |                    | ✓                              |
| Athens International Airport S.A. (AIA)                      | Sale of Shares (30%)                     | Under preparation  |                 |                    | ✓                              |
| Egnatia Motorway   | Concession                               | In progress  |                 |                    | ✓                              |
| Hellenic Petroleum S.A. (HELPE)                              | Sale of Shares (35.5%)                   | Under preparation  |                 |                    | ✓                              |
| Public Power Corporation S.A. (PPC)                          | Alternative form of monetization (17%)   | Under preparation  |                 |                    | ✓                              |
| Thessaloniki Water Supply and Sewerage S.A. (EYATH)          | Sale of Shares (24%)                     | Under preparation  |                 |                    | ✓                              |
| Athens Water Supply and Sewerage S.A. (EYDAP)                | Sale of Shares (11%)                     | Under preparation  |                 |                    | ✓                              |
| Public Gas Corporation of Greece S.A.                        | Restructuring and Partial Sale of Shares | Under preparation  |                 |                    | ✓                              |
| Hellinikon   | Real Estate                              | CPs to be fulfilled for completion                                 |                 |                    | ✓                              |
| Afantou, Rhodes  | Real Estate                              | CPs to be fulfilled for completion                                 |                 |                    | ✓                              |
| E-AUCTION VII  | Real Estate                              | Tender process completed – contract signing stage                  |                 |                    | ✓                              |
| Marinas Pilos, Alimos, Chios                                 | Concession                               | In progress  |                 |                    | ✓                              |
| Rest of Marinas  | Concession                               | Under preparation  |                 |                    | ✓                              |
| 10 Port Authorities  | Concession                               | Under preparation  |                 |                    | ✓                              |

# Monitoring and Evaluating the Strategy

**The implementation of the strategy and policies foreseen in this document will be monitored by a High-Level political committee, under the control of the Prime Minister. At the technical level, the General Secretariat for Coordination will be responsible for:**

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- i. Being in continuous communication with relevant Ministries in order to follow progress on the Action Plan and Timelines provided,

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  - ii. Reporting progress at a bimonthly basis to the high-level political committee,

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  - iii. Developing an early warning system in order to detect possible problems and divergences,

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  - iv. Suggesting actions to be taken.

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The High-Level Political Committee will be supported by a Development Council of experts, which will receive notice of the progress of the implementation of the Action Plan and advise on strategic and policy issues. A public research institute will also elaborate and specify relevant policy decisions.



HELLENIC REPUBLIC

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Strategy  
for the Future**  
July 2018