



HELLENIC REPUBLIC



MINISTRY OF ECONOMY AND FINANCE

NATIONAL REFORM PROGRAMME FOR GROWTH AND JOBS

2008-2010

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1 Introduction

The first three-year cycle of the Lisbon Strategy, 2005-2007, has been marked by significant progress, mainly due to the implementation of structural reforms by EU countries. The 2008 Spring European Council decided to maintain the same goals and guidelines for the 2008-2010 period and noted that more emphasis should currently be placed on the effective implementation of reforms. Within this context, the National Reform Programme 2008-2010 focuses on the progress made according to the specific recommendations made by the European Council to Greece, as well as on future actions.

The efforts for fiscal consolidation – in order to achieve the medium-term goal of a balanced budget – as well as the implementation of the structural reform programme are continuing. Ensuring that the adverse international developments have the least impact possible on the Greek economy is a key goal. This will ensure that the Greek economy remains on a steady growth path, standing ready to benefit from the international recovery when that takes place. Within this context, the priorities of the National Reform Programme 2008-2010 remain the same as laid out by the government in 2005. These are:

- **To continue fiscal consolidation and take measures towards achieving the long-term sustainability of public finances.**
- **To further increase productivity** mainly through reforms in the operation of markets, investment in human capital and promoting a Knowledge-Based Society but also by addressing structural weaknesses in the Public Administration..
- **To improve the business environment**, by enhancing competition, further opening product markets, increasing the outward orientation of the Greek economy and boosting its competitiveness.
- **To increase employment**, reduce unemployment and improve the effectiveness of the educational, training, re-training and life-long learning systems.

1.1 Governance

For the preparation of the National Reform Programme 2008-2010 the Standing Lisbon Committee in Greece is of particular importance. All competent Ministries, Social Partners, Regions and NGOs representing the Civil Society are participating in this committee.

As a result of this collaboration, a Lisbon Observatory has been established by the Economic and Social Committee (OKE) in order to monitor the implementation of the Programme and progress achieved each year.¹ It should be noted that the NRP implementation progress is also being monitored by the Hellenic Federation of Enterprises (SEV).²

Box 1.1. – The Standing Lisbon Committee

The establishment of this Committee in Greece could possibly be considered as “best practice”. The constructive co-operation which has been achieved during the preparation and

¹ The publications of OK with regards to the Observatory are listed on this website: <http://www.oke.gr/index-gr.htm>

² More information regarding the positions of SEV regarding the Lisbon Strategy and the National Reform Programme can be found on this website: <http://www.sev.org.gr/LisbonStrategy>

monitoring of the NRP significantly contributes to the achievement of national targets, but also, to a certain extent, of targets set at the European level.

The guidance of the European Commission through the Economic Policy Committee meetings as well as, more generally, through the experts' missions to Greece has also been very valuable in this respect.

The draft of the National Reform Programme (NRP) 2008-2010 will be open to the public and posted on the Ministry of Economy and Finance website in order to achieve broader publicity and facilitate the consultation process.

2 Macroeconomic interventions

Main Macroeconomic interventions:

- Fiscal consolidation
 - Expenditure restraint in the wider public sector
 - Continuation of the tax reform
- Improvement of the quality of public finances
 - Programme Budgeting
 - Abolition of extra – budgetary accounts
- Long-term sustainability of public finances
 - Social security system reform
 - New framework for procurement in the health care sector
 - Restructuring of the health care system
- More extensive use of the framework for Public Private Partnerships
- Better use and development of public property
- Restructuring of the operational framework of Public Enterprises and Institutions (DEKO)

The National Reform Programme 2008 - 2010 is compiled in a very critical international juncture. The global economy is negatively affected by the combination of the financial turmoil that began in the United States and the increase in prices for oil, food and other commodities. There are clear indications of a significant slowdown in the global economy, while various international institutions, i.e. the IMF, refer to the possibility of a prolongation of this crisis compared to initial estimates. Inflationary pressures are strong internationally. Despite the recent reduction in oil prices, down from the historically high levels, there is considerable concern regarding secondary effects. Obviously, the impact of international developments affects Europe too; nevertheless, the consistent implementation of reforms seems to ensure increased resilience of the European economy.

2.1 Developments in the 2004-2007 period

During the 2004-2007 period, the government's reform programme has supported the growth dynamism of the economy despite the reduction in aggregate demand due to a very substantial fiscal adjustment. At the same time, the qualitative characteristics of economic growth have improved, with the latter being based more on exports and investment and less on public spending. Furthermore, and unlike previous periods, the rapid growth in the 2004-2007 period has an improved labour content, with a steadily increasing employment and a significant reduction in the unemployment rate.

During the last four years the Greek government has placed emphasis on fiscal consolidation and the implementation of major reforms such as: the tax reform to reduce the tax burden of

firms and individuals, the new framework for tackling tax evasion, the new investment law, the framework for Public Private Partnerships (PPPs), the law on the restructuring and modernisation of the functioning of Public Enterprises and Entities (DEKO), an extensive programme of privatisations with emphasis on opening up markets, the labour market reforms, the Digital Strategy, the reform of the Social Security System.

These reforms along with the fiscal consolidation effort have yielded concrete results:

- The general government **deficit which in 2004 amounted to 7.5%** of GDP was reduced in the two consecutive years by more than 2 percentage points, and in 2006 was lower than the limit of 3% of GDP.
- Despite the size of the fiscal adjustment during the 2004-2007 period, the **average annual real GDP growth rate** remained at 4.1%, compared to 2.3% in the Euro zone and 2.6% in the EU-27. Furthermore, the Greek economy has shown strong resilience to the impact of the international crisis, as the data for the first semester of 2008 show that the growth rate remained at 3.5%, compared to 1.8% in the Euro zone.
- In addition, the total **employment rate** increased from 59.4% in 2004 to 61.4% in 2007 and 62% during the second quarter of 2008. At the same time, the unemployment rate was reduced from 10.5% in 2004 to 8.3% in 2007.
- **Exports** as a ratio to GDP increased significantly, up from 8.4% in 2004 to 9.6% in 2007.
- Legislation on the social security system of banks and the successful implementation of the **privatisation programme in the banking sector** led to increased competition in the sector.
- Within the **Digital Strategy** framework, new technologies are rapidly adopted by the private and public sector. In addition, the penetration of broadband internet has increased: starting from 0.1% of the population in 2004 currently exceeds 11%.

It is also important to note that according to the analysis of the European Commission and other international organisations, the high GDP growth rates in Greece during the past few years are largely due to a significant increase both in labour productivity and in total factor productivity. Growth of total factor productivity is directly linked to a series of reforms such as:

1. the adoption of new technologies and the promotion of innovation,
2. the improvement in the efficiency of the public sector,
3. the opening up of markets, especially in critical sectors of the economy, such as telecommunications, energy, sea transport and postal services.
4. the improvement in the business and tax environment,
5. and reforms in the fields of education and training.

2.2 Recent developments and prospects

In the current juncture of adverse economic developments internationally, the growth rate of the Greek economy is expected to decelerate to 3.4% in 2008 and 3% in 2009, while private consumption maintains its drive despite the fact that investment will be more or less flat in 2008, mainly due to housing investment. Investment is forecast to increase again in 2009. Despite the deceleration of international economic growth, exports are expected to increase by 5% and 5.2% in 2008 and 2009 respectively (constant prices). Alongside the increase in exports, a deceleration in imports (-0.2% in 2008 and +2.1% in 2009), is expected to result to

a considerably higher contribution of the external sector to growth. The rise in employment will somewhat lose pace; however, unemployment is anticipated to be further reduced by 0.6 percentage points in 2008 and 0.3 percentage points more in 2009. Inflation will accelerate significantly in the current year but it is estimated that this trend will reverse in 2009.

Regarding public finances, in 2007 there was an overshooting in general government deficit at 3.5% of GDP which was due to unforeseen circumstances and non-recurring expenditure. In 2008 and according to the draft budget, the general government deficit will reach 2.3% of GDP, thereby achieving significant fiscal consolidation both in nominal and structural terms. The prolonged international crisis has affected both revenue, due to growth deceleration, and expenditure, due to increases in the interest rates and the need to increase social protection expenditure. The Greek government has announced a series of measures in order to strengthen revenue, based on further broadening the tax base and fighting tax evasion. Through these measures, and also through the containment of primary expenditures, the deficit in 2009 is estimated to reach 1.8% of GDP while debt is expected to be reduced by 3.4 percentage points as a ratio to GDP (compared to reduction by 3 percentage points in 2008).

Box 2.1 – Tax measures

- The 10,500 € tax-free bracket for the self-employed is abolished and a tax rate of 10% is applied up to this amount.
- The tax prepayment for companies increases from 65% to 80%.
- A tax rate of 10% on dividends and capital gains is introduced.
- A new tax on stock options is introduced according to rules pertaining to regular wage income

In addition:

- Vehicle circulation duties are increased by 20%.
- An objective tax settlement is legislated, including delinquent obligations to the state (tax arrears) and unsettled tax accounts for professionals and enterprises.

2.3 Structural reforms, transparency and quality of public finances

In the present international juncture, the reform programme is the appropriate response in order to insulate the economy from spillovers of the external shock and achieve an acceleration of the potential growth rate. The effort remains focused on fiscal consolidation adjustment, with emphasis on the quality of public finances through the restraint, proper evaluation and re-orientation of public expenditures.

During the second phase of fiscal consolidation, the government continues its policy to reduce the general government deficit and achieve a balanced budget in the medium term and a faster reduction of public debt as a ratio to GDP. This policy will be based both on the containment of public expenditure, especially in the broader public sector, and on fighting tax evasion and broadening the tax base.

Regarding public expenditure, the Parliament approved an amendment to **reduce the deficits of Public Enterprises and Entities (DEKO)** which are subsidised by the state budget (**Law 3691/2008**). The amendment links, among other things, wage increases in subsidised DEKO both to the financial situation of the enterprise, and to State Budget developments.

In parallel, a series of **tax measures** were taken which, among other things, aimed at a more equitable distribution of the tax burden, the broadening of the tax base and at fighting tax evasion.

One of the key government priorities is the change in the preparation, implementation and monitoring of the state budget, through the adoption of **programme budgeting**. The preparation of the budget based on programme budgeting will make it more comprehensible, with a clear presentation of government policies and priorities. At the same time, it will allow controlling the cost of each programme and evaluating the effectiveness of various policy actions. It should also be noted that one of the main objectives of the reform is the establishment of a three-year fiscal framework.

In implementing the new system, the budget of each Ministry/organisation will indicate the projects that each Minister commits to complete using the available resources.

The **full implementation of the programme budgeting is scheduled for 2012**. Major steps have already been taken in this direction: the Budget of 2008 was accompanied by the special edition “Programme Budgeting 2008”, which included the first pilot plan. In addition, all the necessary steps have been taken this year in order to develop a plan of programmes and actions for all Ministries and Regions. The “2009 National Plan of Programmes” will accompany the Budget of 2009. All resources available from all possible sources of funding will be presented for any action. The Ministry of Economy and Finance has already started cooperation with all Ministries, in order to outline the objectives of their actions and to identify / compile indicators for evaluating their achievement.

For a more efficient implementation of programme budgeting, the reform of the accounting system used by the Central Government is also planned. The main pillars of the reform in the accounting system include:

- the establishment of modern accounting principles ,
- the development of a revised set of accounts, and
- the introduction of modern financial statements of financial position, financial performance and cash flows.

The first steps towards the formulation of a **new accounting plan** have already been taken. The plan will be based on standards developed for the private sector, with the necessary adjustments to the specific needs of Public Administration. The objective is, through this plan, to make the compilation of reliable financial statements for all general government units feasible.

The results of this effort are going to be presented to the “2009 National Plan of Programmes”. Along with the structure of the programmes, the budget will also be presented in primary accounting bills. Cash-flow financial statements including data for all budgetary items will also be presented, classified by unit and Ministry.

The schedule including key actions for the transition to the new system will be announced along with the budget of 2009. For the budget of 2010, the Ministerial Council will determine expenditure ceilings for each Ministry, so that each Minister submits budget proposals within these limits, thus avoiding unrealistic proposals that cannot be supported by available resources.

The next step will be to extend programme budgeting to the rest of general government units and entities (municipalities, prefectural governments, hospitals, social security funds, universities, etc.).

In addition, by **Law 3697/2008**, new rules are adopted in order to contain expenditure and ensure the transparency of financial management for units and entities of the broader public sector (hospitals, social security funds and local authorities). For this purpose, an **Interministerial Committee of Public Sector Entities** is established, which:

- will plan and guide their actions,

- will assess the quality and quantity of services offered to citizens,
- will monitor and review their financial operation and will take appropriate measures to rationalise expenditure.

All entities will have to compile budgets and statements of accounts, will be required to comply with international accounting standards, and will have to prepare business plans every three years including specific quantitative targets so that they can be properly evaluated. Speeding-up and intensifying efforts to improve transparency and expenditure control in the broader public sector is essential in order to safeguard fiscal consolidation.

At the same time, most **extra-budgetary accounts** are abolished under Law 3697/2008 and their resources are included in the State Budget. Regarding payments, the procedure applicable to similar government budgetary items (Public Accounting Code) or entities will be strictly kept.

Accounts which are maintained for specific reasons (international conventions, research purposes, the Community Support Framework), will be subject to rules that ensure legality and public control. Abolishing these accounts is expected to improve transparency in fiscal management as a part of the institutional initiatives of the Government to consolidate public finances and increase transparency in public spending. The integration of extra-budgetary accounts in the Budget will provide a more comprehensive picture of public finances, will ensure a more efficient allocation of resources and will contribute decisively to fighting corruption and unreasonable spending.

Apart from pursuing the goal of fiscal consolidation, the government aims at a more efficient allocation of resources in order to finance social protection. In the current juncture, it is essential to design targeted actions to fight poverty and social exclusion. In this context, the **Fund for Social Cohesion** is expected to be fully activated in the near future. Through this Fund, specific actions will be implemented aimed at supporting those who are most affected.

2.4 Long-term sustainability of public finances

The social security system reform (Law 3655/2008) is an important step towards ensuring the long-term sustainability of public finances. Considerable savings are expected, stemming mainly from the restructuring the administrative system, economies of scale from the reduction of the system's fragmentation, but also from a more efficient management of reserves and property.

Box 2.2 – The administrative reform of the social security system

133 existing social security organisations and branches which are regulated by the Ministry of Employment and Social Protection are merged to 13. Mergers and integration of funds have already been completed since 1/10/2008.

Expected benefits from the administrative reform include:

- The application of uniform rules of administration and operation, and the consolidation of complex and - often - controversial legislation.
- A more efficient supervision and monitoring by the State.
- The reduction of contributions evasion.
- Monitoring of so far uncontrolled expenditures in the health care system.
- Reduction of administrative costs.
- More efficient use of property in general.
- The establishment of a computerised accounting system on accrual basis.
- Uniform monitoring mechanisms.

- The provision of better and faster services for all citizens.

In parallel with the implementation of Law 3580/2007, a **comprehensive system of procurement** for organisations supervised by the Ministry of Health and Social Solidarity has been established. The new system enhances transparency and promotes competition, while it controls the waste of resources, through collecting and grouping of the needs of hospitals in order to prepare integrated public procurement bids.³

In addition, control of public expenditure on health care organisations is strengthened under the provisions of the Law 3697/2008.

In the context of improving the long-term sustainability of health care expenditure (Law 3527/2007) the **reorganisation of the regional establishment of the National Health System (ESY)** was legislated. During the transition phase, the merger of Health Regions (YPE) from seventeen to seven was provided for, aiming at ensuring the efficient and effective operation of the system, while enhancing its regional dimension. Multiple benefits accrue from this legislation including:

- Saving of resources and achieving economies of scale. Calculations based on the budgets of YPE indicate that annual savings would amount to 26.1 mio €.
- The rational and timely planning of human, financial and technological resources required on an annual basis.
- The modernisation of the administration and cutting red-tape.
- Improved communication and coordination in order to promote the objectives and guidelines of health care policy. Better financial, managerial and administrative control that ensures the sound operation of the units along with the transparency and efficient fiscal management.

Box 2.2 – The regional organisation of ESY

Competences of Health Regions (YPE) include:

- The planning, coordination, supervision and operational control of all providers of health care and social protection services.
- The submission of reports, studies and proposals aimed at a comprehensive and efficient provision of health care and social protection services to the citizens of their region.
- Monitoring the implementation of policy directions as set out by the Ministry of Health and Social Solidarity.

Sources of funding for YPE include:

- Subsidies from the ordinary state budget.
- Subsidies from the public investment budget.
- One percentage point of accrued revenue from hospitals of each YPE.
- Donations, bequests and other benefits.
- Revenue from property.
- Revenue from programmes co-financed by the European Union or other Greek or international organisations or non-profit organisations or from other research activities.
- Any other revenue accruing from their activities.

³ More details exist in chapter 5.2.4.

Funding and allocation of resources regarding the compensation of health professionals and investment are made through the state budget and are supplemented by payments of social security funds to hospitals on the basis of predetermined and fixed medical charges.

2.5 Additional structural interventions

The implementation of reforms regarding Public Private Partnerships, the use of public property and the operational framework of DEKO are also underway. More specifically:

- In the context of **Public Private Partnerships (PPPs)**, 327 new projects throughout Greece worth € 5.7 billion have already been approved and are underway. The majority of these projects have to do with infrastructure and the provision of services in the periphery, thus proving that PPPs are a key tool for regional development. Calls for tenders for projects worth € 1.5 billion are already underway. It is particularly important to note that the first of them have already been completed, and the construction of the first project is expected to start this year according to the initial schedule.

For instance, the construction plans for 5 Hospital Units (2 of which have already been approved) and 4 centres for rehabilitation and recovery worth around € 1.5 billion have been submitted to the Special Secretariat for PPPs aiming at the modernisation of the public health care system by developing an integrated health care network. It is estimated that the construction of the units will create 5,000 new jobs, including both workers in the construction of these units and medical, nursing, administrative and technical personnel to be employed on a permanent basis. In addition, jobs will also be created indirectly, as a result of additional economic activity close to these units. Also, in the Ministry of Transport and Communications a Committee was established in March 2008 in order to study the implementation procedure of the framework of PPPs by the Ministry and supervised organisations and entities. Potential fields of application include railway road investment, high technology-driven services, such as telematics and automatic fare collection systems, and the development of alternative infrastructure and services in telecommunications and broadband internet.

Box 2.3 – European PPP Expertise Centre

In September 2008 a Memorandum of Cooperation for the participation of Greece in the newly established **European PPP Expertise Centre (EPEC)** was signed. This is a significant development for the efficient use of PPPs in the future. This Centre was founded by the European Investment Bank (EIB) and the European Commission. The main objective of the Centre is to assist EU Member States in issues related to PPP projects and their effective implementation. The Centre undertakes the diffusion of know-how and best practices, and the collection and elaboration of information from all countries of the European Union, regarding requirements and skills needed for effective implementation of PPP projects. In addition, Greece will cooperate with the European Investment Bank, which has expressed its interest to finance PPP projects in Greece.

- Regarding the use of public property (Law 3342/2005), five calls for tenders for the concession of facilities have been completed recently by **Olympic Properties SA** with total revenue exceeding € 1.5 billion, while another call for tender has been launched and will be completed via the Public Private Partnerships (PPP) framework. Apart from the significant public revenue from the taxation on activities of these facilities, additional benefits are expected from revenue received by municipalities through special tax, job creation and the positive impact on important sectors of the economy, mainly tourism.
- Finally, regarding the implementation of Laws 3429/2005 and 3691/2008 for the restructuring **Public Enterprises and Entities** initiatives promoted include:

- the preparation of Business Plans,
- the uniform application of corporate governance principles, which facilitates the monitoring of business activities and the introduction of internal auditors according to international best practices.
- the implementation of targeted corporate consolidation plans
- the implementation of PPP projects to cover investment needs and better use of real estate ,
- the implementation of International Financial Reporting Standards for the dynamic and realistic presentation of the financial performance,
- the development of central infrastructure for monitoring qualitative and quantitative results and
- the compilation of Consumers' Obligation Charters for recording obligations to the citizens.

3 Modernisation of public administration

Main interventions for the modernisation of Public Administration:

- Strengthening the planning, implementation and monitoring mechanism for public policies
- Better regulation and reduction of administrative burdens
- Promotion of electronic governance
- Development of human resources
- Reinforcement of equality policies

The **vision** of public administration reform is the “creation of a citizen- oriented, effective, open and flexible governance”, targeting at the transition from an administration based on competences and procedures to an administration operating according to policies, objectives, results and the delivery of high-quality services.

The **strategic goal** of public administration reform is the improvement of the quality of governance through the enhancement of the effectiveness and efficiency of public organisations, as well as the strengthening of accountability and professionalism through the broadening of public consultation and the participation of stakeholders.

This strategy is depicted in the Operational Programme (OP) “Administrative Reform 2007-2013” which is in full compliance with the Lisbon Strategy and in particular with the need to upgrade the institutional context of Public Administration and the rationalisation of existing administrative structures. The **policy fields** defined therewith are the following:

- Entrepreneurship - Creation of a favourable business and regulatory environment
- Strengthen monitoring mechanisms for better implementing of public policies
- Health and Social Solidarity (specific interventions)
- Immigration Policy
- Justice – Support of administrative capacity of mechanisms dispensing justice (Greek Tribunals)
- Social Security (specific interventions)
- Agricultural policy (specific interventions)
- Civil Protection

The reforms in the above mentioned policy fields will take into account **horizontally** the following basic parameters:

- The enhancement of principles of transparency and good governance in public activity
- The incorporation of the recommendations by the Ombudsman and the Control Bodies as well as the results of social consultation for reforming the regulatory framework
- The promotion of the gender equality principle across the Public Sector and the effective implementation of gender equality policies through targeted interventions for tackling inequality problems and social exclusion of sensitive social groups.

Box 3.1 - Memorandum of Cooperation (MoO) between the Ministry of Interior and OECD (2008-2010)

The Ministry of Interior has signed a Memorandum for a three-year project with OECD, funded by national resources, in order to support public administration reform interventions. Specifically, OECD will offer recommendations, best practices and expertise, while its support to the OP “Public Administration Reform” will consist of the following phases:

- Supporting the Greek Reform Program, especially during the formulation of interventions and policies (2008-2009)
- Giving assistance during the implementation of the reform program (2009)
- Evaluating the progress made by the reform program and peer review by OECD experts (2010)

3.1 Strengthening of the mechanisms for planning, enforcement and control of public policies

In the context of Public Administration modernisation, it is important to strengthen state mechanisms with regard to planning, enforcement and monitoring of public policies. In this way, basic weaknesses of the Greek Public Administration will be addressed, the strategic and coordination role of the Ministries will be strengthened while the programming and operational functions of Local Government will be improved.

Especially for the 2008-2010 period, the following three (3) interventions are programmed with an indicative budget of 20 mio €:

At the Central Government level:

- Establishment of “Analysis and Documentation Units” in Ministries, under the coordination of the General Secretary of the Government.
These Units will ensure the administration continuity in respect to the formulation of public policies and will accomplish the following operations inside Ministries: implementation of a Better Regulation system, effective integration of Community Law and promotion of a simplification policy through measurement and reduction of the administrative burden.
- Reinforcement of the operational capacity of the central “Regulatory Control Unit” in the General Secretary of the Government and its coordination with “Analysis and Documentation Units” within Ministries.

At the Local Government level:

- Reinforcement of the programming functionality of Municipalities for an effective promotion of local development

3.2 Better regulation and reduction of administrative burden

In the context of the Public Administration reform, high priority is given for implementing a concrete policy for Better Regulation, especially regarding the restructuring – simplification of legislative and regulative framework, the transposition of EU Directives and the reduction of administrative burden. By the circular of the Prime Minister with number Y190/18.07.06 “Legislative policy and assessment of the quality and effectiveness of legislative and regulatory provisions” principles and procedures of better regulation were established. The implementation of this Circular resulted to the preparation of 25 Regulatory Impact Assessments (RIA) during the last 2 years, covering the 12.6% of newly introduced laws. Yet, the quality of RIAs should be improved, which would be achieved through the strengthening of the role of the General Secretary of the Government and “Documentation Units” in Ministries, as described above.

In particular, the aim is to materialise the **structural target** undertaken at the EU level for a 25% reduction of total administrative burden by 2013. In this context, an action plan is set out for the reduction of administrative burden based both on the Standard Cost Model (SCM) methodology and on further simplification procedures. For this purpose, a **High Level Working Group** has already been established in order to monitor and make recommendations on Administrative burden measurement. This working group is composed by representatives (at the level of General Secretaries) of the General Secretary of the Government, the Ministry of Interior, the Ministry of Economy and Finance, the Ministry of Development and the main Social Partners (the Panhellenic Federation of Workers Associations - GSEE, the Public Sector Union Confederation – ADEDY, the Hellenic Federation of Enterprises – SEV, the Hellenic Confederation of Professionals, Craftsmen and Merchants –GESEVE, the Central Union of Chambers of Greece).

Especially for the 2008-2010 period, the following three (3) interventions are programmed with an indicative budget of 25 mio €:

1) Formulation of a new regulatory framework, setting up the procedures and the wider framework for a better regulation and simplification annual rolling programme in the whole Public Administration, including carrying out impact assessments and consultation processes.

2) Action plan for Measurement and Reduction of Administrative Burden:

- Development of the methodology required for the measurement of administrative burden, through the implementation of the Standard Cost Model adapted to the Greek Public Administration’s context and the creation of necessary technical and organisational provisions for its implementation (i.e. personnel skills).
 - A series of projects for the measurement of administrative burden in 17 policy areas (Sector measurements), including measurement of administrative burden, reduction appraisals and simplification proposals, dissemination actions and training to the public servants involved. These policy areas include the 13 selected policy areas of the correspondent Action Program of the European Commission, including among others: company law, pharmaceutical legislation, employment legislation, tax law (VAT), agricultural subsidies, environmental law, fisheries, transport, food safety.
- 3) Administrative codification of regulations in the sectors of government priorities such as Forestry, Tourism, Health and Social Insurance etc.

3.3 Improvement of transactions with citizens and enterprises through development of e-government

The effective and rapid promotion of e-government is a critical factor for administrative change and reform, in all levels of Public Administration (central, regional and local) in order to achieve substantial results in fighting red tape and improving the quality of services delivered to citizens and enterprises.

During the last few years, and despite the fact that important initiatives for the development of electronic infrastructure and information systems by a wide range of public entities were launched, these initiatives were isolated and one-off projects, missing interoperability and hindering information exchange and provision of e – transactions towards citizens and businesses. For this reason, already since 2006, a new strategy has been initiated for the implementation of E – Government in Greek Public Administration, through **central planning and integrated horizontal interventions** for facilitating interoperability and creating the infrastructure required in order to offer 4th level **digital services** to citizens and enterprises.

The creation of the National Network of Public Administration “SYZEFXIS” was the first step for the implementation of this integrated strategy for E- Government. It became operational in 2006 and it is anticipated that until 31-12-2008 more than 4.000 public entities, in total, will be connected to it. This communication network connecting public entities offers high value telematic and communication services (i.e. telephony, data networks, tele-conference, tele-training etc.) and broadband internet access, raising the efficiency of the public sector and the quality of services offered to the public. To network has already been connected to the European Network s-Testa. Furthermore, “SYZEFXIS” supports the use of a Public Key Infrastructure (PKI), including issuing of digital certificates, for the all Greek Public Administration units.

Especially for the 2008-2010 period, the following three (3) interventions are programmed with an indicative budget of 15 mio €:

A) The Greek e-Government Interoperability Framework (e-GIF)

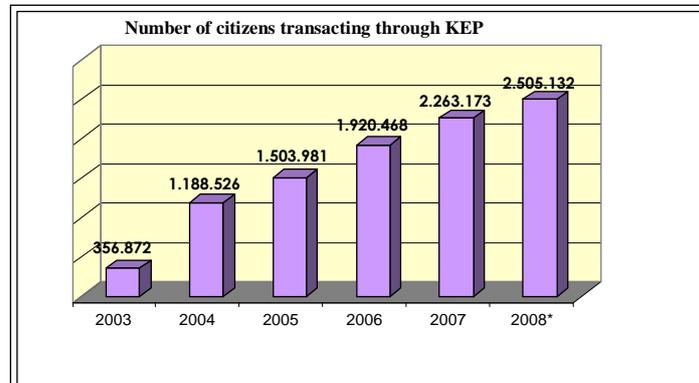
It is the key factor of Digital Strategy 2006-2013, since it defines the set of rules and standards for achieving homogeneity of Public Administration portals and the interoperability of theirs systems, procedures and data, facilitating electronic transactions and offering the digital authentication required for e-transactions with Public Administration. It is composed by the following building blocks:

- **The Certification Framework for Public Administration Sites and Portals**, which specifies the directions and standards to be followed when designing and developing e-government portals of the Public Administration.
- **The Interoperability and Electronic Services Provisioning Framework**, which defines the technical specifications and standards and the general strategy to be followed by public agencies when developing e-government Information Systems.
- **The Digital Authentication Framework**, for citizens and enterprises, which sets the standards, the procedures and the technologies required for the registration, identification and authentication of the e-government services users (citizens, enterprises).
- **The Interoperability Registry prototype**, for the development of document metadata models and standardised XML schemas.

B) National Governmental Portal HERMIS and provision of E- services to citizens and businesses (evolution of Citizens Service Centres – KEPs)

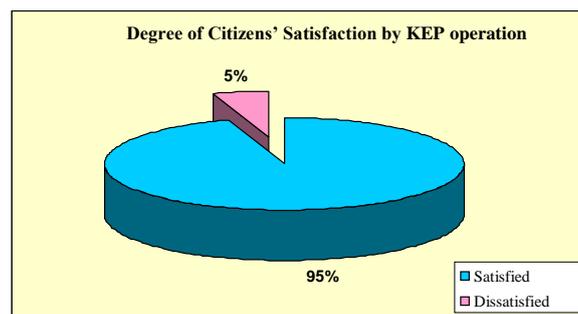
During the last years, Citizens Service Centres (KEPs) have been very successful in delivering one – stop shop services to citizens in both ways, physical and virtual, including

the governmental portal of the KEPs. The success and appreciation by Greek citizens of the role of KEPs is depicted in data following below. Currently, 1072 offices of KEPs cover the whole country and more than 1000 administrative procedures are certified to be carried out through KEPs.



**For 2008, it is estimation*

Source: www.kep.gov.gr (2008)



Source: Public opinion survey conducted by VPRC (2008)

The Government Portal “HERMES” is under construction and is expected to be operational by the end of the year. It will offer one-stop shop services for digital communication and electronic transactions between citizens or businesses on one hand and Public Administration on the other, thereby being the virtual form of KEPs. More specifically, it would be the “electronic search engine” for all government portals, sites and electronic transactions offered and will be designed to fit the needs of citizens (“life – events”) or businesses (“business events”), mainly including procedures related to business start-ups and licensing. It will incorporate standards and specifications of e – GIF, providing not only information but also integrated and secure transactions. During the first phase, it is expected that approximately 120 e-transactions of 3rd and 4th level for citizens and enterprises would be offered (i.e. transactions with Social Security Fund –IKA). In addition, Governmental Portal “HERMES” materialises the strategy of the Ministry of Interior for the transition of KEPs to one-stop shops for electronic services offered to citizens and businesses.

C) Development of e – Government Road Map

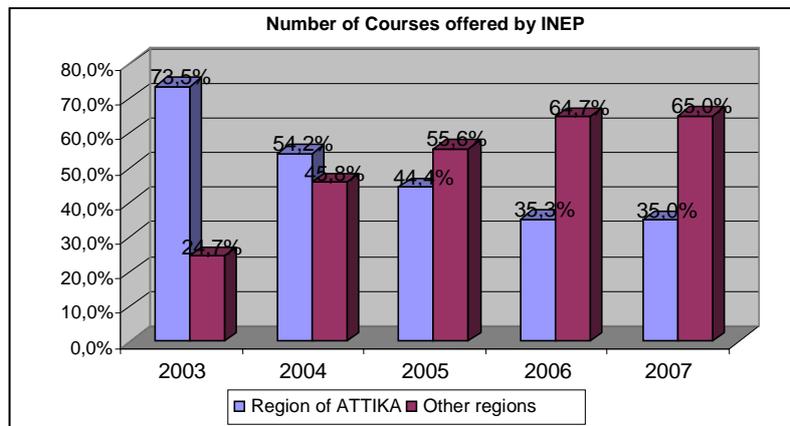
The development of a Road Map for e – Government for the period 2008 -2015 is critical in order to achieve an interconnection between information systems infrastructure and the

planned Public Administration reform. More specifically, the development of a Road Map for e – Government consists of two pillars:

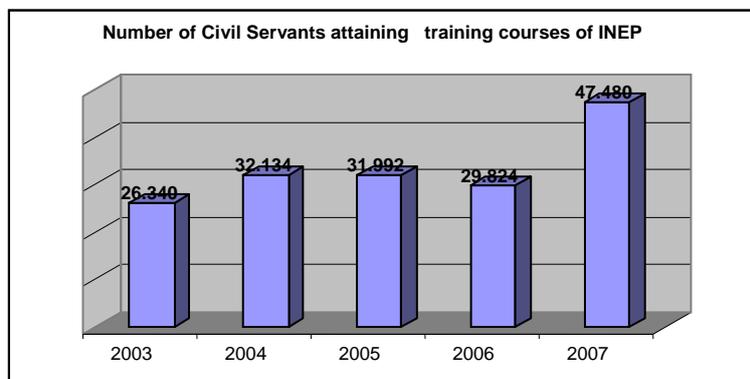
- Constitutional and organisational interventions, such as process re-engineering, personnel training, improvement in the organisational and institutional context along with ensuring stakeholders’ participation, creating communication channels with end-users (citizens and businesses) of the services.
- Technological interventions (new ICT infrastructure, upgrading existing information systems).

3.4 Development of human resources in public administration

The upgrading of the Greek Public Administration personnel through the improvement of Human Resources (HR) management has been a high priority these past few years. Indicatively, the new Public Servants Code (Law 3528/2007) has introduced a new framework facilitating mobility, gender equality and the reconciliation between professional and family life for public servants. Also, it has established a new promotion system. Furthermore, the education and training provided by the Institute of Continuing Training – INEP of the National Centre of Public Administration - EKDD was further enhanced through the creation of 12 Regional Institutes of Continuous Training (PINEP) and through widening the categories - number of trained public servants (e.g. elected representatives of local governments). The collaboration with foreign training organisations such as ENA (Ecole National d’ Administration - France), offering specialised training programmes for the diffusion of expertise and best practices, and the use of synchronous and asynchronous e – learning were further enhanced.



Source: Management Report of EKDD 2004-2007



Source: Management Report of EKDD 2004-2007

Taking into account that the personnel of Public Administration is a critical factor for the promotion of the administrative reform, a set of measures has been envisaged for the development of human resources and the enhancement of the training system:

More specifically:

For the 2008-2010 period, the following three (3) categories of interventions are programmed for the **enhancement of the human resources development policy**, with an indicative budget of €15 mio:

- The development of a system of job profiles related to hiring, appraisal, training and mobility systems.
- The re-organisation of the Ministry of Interior General Directorate of Personnel, which has an horizontal strategic role in planning, coordination, implementation and review of HRD policy in the whole spectrum of public administration, as well as the strengthening of HRD Directorates in Ministries.
- Standardisation of implementation procedures of the New Civil Servants' Code

Moreover, in order to **improve the quality and efficiency of the education and training system**, a new programming framework is being developed and the education units of Ministries are being enhanced. For the 2008-2010 period the following two (2) types of interventions are programmed, with an indicative budget of € 60 mil:

- Actions for upgrading the quality of training systems of public servants.
- Compilation of training plans by Ministries for the development of Public Administration HRM, setting specific methodologies and targets. Creation of respective training programmes in the form of modules. Provision of these training programmes.

3.5 Gender equality

The enhancement of gender equality policies in the whole range of Public Administration aims to improve the quality and effectiveness of mechanisms and structures which carry out the planning, implementation, monitoring and evaluation of the various gender equality measures and policies. It also aims at the effective integration of the gender equality dimension in the whole range of Public action, both at the level of central and at the level of local government, through the active participation of civil society and NGOs. Special emphasis will be placed on increasing the presence and participation of women in the public sector and the wider society and especially in decision – making centres.

In more detail, various interventions are being implemented in order to assess the impact of public policies on gender equality, to enhance the activities of KEPs through the creation of a country-wide network for the information and support of women as well as to inform and offer training to women. Moreover, interventions are being developed aiming at networking and at the greater participation of women in decision-making centres, either economic or political, as well as actions for strengthening the role of NGOs. For this purpose, a Special Implementation Unit is established in the General Secretariat for Gender Equality Issues.

Especially for the 2008-2010 period and for a better preparation of actions targeting at strengthening of gender equality policies in the whole range of Public Administration, the following interventions- measures are programmed with an indicative budget of 10 mio €:

- Administrative codification of gender equality legislation and regulations in order to make them more accessible either to professionals (lawyers, psychologists etc.) or citizens (women)

- Creation of an Observatory / National Committee for Gender Equality in order to follow-up, evaluate, coordinate and enhance mechanisms supporting gender equality at the national and regional level.
- Actions implemented in collaboration with Local/Regional Administration for the creation of Supporting–Consultation structures/centres for women for combating violence against them
- Enlargement of the functions of Citizen Service Centres (KEPs) so that they could assume a role for gender equality issues (information and assistance services)

4 Knowledge-based society

Main reforms towards achieving a Knowledge-based Society:

- New legislative framework in the area of research and technology
- Upgrading of the research infrastructure
- Incentives for encouraging private sector R&D
- Innovation promoting structures
- Promotion of ICT in education
- Digital Strategy

4.1 Research and development – Innovation

The goal of our national policy for research, technology and innovation is to facilitate the transition to a knowledge-based society by restructuring the Greek economy towards the production of high value added goods and services, the faster increase of productivity and the improvement of the competitiveness of the Greek economy. Special attention has been given to enhancing international cooperation in R&D, and especially for the establishment of the European Research Area within the European Union.

The national target for the Gross Domestic Expenditure for Research, Technology and Development (GDERTD) is 1.5% of GDP by 2015, with the contribution of the private sector corresponding to 40% of the total. The percentage of the contribution of the private sector to GDERTD appears to be on an upward trend over time, while in 2005 it has reached 31% of GDERTD up from 21.6% in 1997. However, GDERTD remains at low levels (0.57% in 2006). In this respect, attaining the national target remains an important challenge depending directly on the efficiency of reforms and the utilisation of the resources of the upcoming programming period.

However, it is important to highlight that the high rates of economic growth in Greece during the past few years is to a great extent due to the significant increase of labour productivity as well as of total factor productivity. According to European Commission figures, the average rate of increase in productivity (real GDP per employee) for the 2005-2007 period was 2.2% as compared to 1.4% for the EU27 and 1.15% for the Euro zone. Moreover, there is a change in the composition of Greek exports, with the share of medium and high technology products increasing steadily.⁴ The aforementioned developments are fully consistent with the transition towards the knowledge-based society.

⁴ See also, section 5.4 “Promoting External Openness”.

4.1.1 Initiatives and actions for the 2007-2008 period

Institutional Interventions

The Greek government has proceeded to adopt **Law 3653/2008 on the “Legislative Framework for Research and Development”** in order to strengthen the efforts for elaborating a strategy aiming at the improvement of governance and the increase of investment in the sectors of Research, Development and Innovation.

The main Presidential Decrees and the Common Ministerial Decisions required for the implementation of the new legislative framework are underway. The General Secretariat of Research and Development will continue to exercise its duties until all the new bodies become fully operational.

In addition, the transposition of EU Directive 2005/71 for admitting third country nationals for the purposes of scientific research is to be finalised soon.

Enhancement of the public research infrastructure

In the framework of the promoting distinction, new research centres are being established in the country’s regions, while the existing centres are to be further supported. After the establishment of the research centre in Thessaly - KETEATH, the necessary legislative procedures for the establishment of research centres in Western Greece and Ipiros are to be finalised soon while other are in progress (for the West Macedonia and Thraki). The creation of infrastructure for the new Research centres will be financed by the corresponding programmes of the National Strategic Reference Framework (NSRF) 2007-13. At the same time, actions will be promoted for admitting researchers from abroad for a short to medium-term stay, aiming at the outward orientation of the new structures and at facilitating the access to international networks.

In pursuing economies of scale and the integration of Greek research groups in **international activities** of research and technology, initiatives have been taken aiming at the cooperation with other EU members and the European Commission for the creation of a common European research infrastructure. Currently, there is a commitment for our participation at Km3net, for the place of establishment of which we have submitted the candidacy of Pylos at Peloponisos, where the facilities of the Institute for Deep Sea Research and Neutrino Astro-Particle Physics, “Nestor” are already in place. Moreover, there is a standing commitment for our participation at X_FEL while at the same time interest has been expressed for the participation of our country to other infrastructure projects of EU roadmap.

Space strategy

So far, the results from the participation of Greek entities in the privileged measures which are valid to our country as a new member in the European Space Agency (in 2008 the 2nd call for tenders took place with budget of € 5 million) have shown increased mobility, especially among small and medium enterprises, to participate in European space industry consortia. Also, the projects underway suggest that the conditions to move to the next phase are mature, with emphasis placed on the sectors of sensors, earth monitoring and software development with applications in the space industry.

Regarding specialisation and personnel training, after a GSRT initiative, a Memorandum of Understanding has been signed by the State Scholarships Foundation, the Ministry of Education and Religious Affairs and the European Space Agency (ESA) for the provision of 10 scholarships to Greek graduates for training at the facilities of ESA. The call for tender will be published in the course of 2008.

Incentives for private investment in research and structures promoting innovation

The provision of economic incentives to enterprises (Law 3296/2004) is continued, in order to increase self-funding of investment in research and development. An overall assessment is underway with the aim to further improve the effectiveness of this measure.

The Investment Incentives Law 3299/2004 remains the main instrument for the dissemination of advanced technology, know-how and innovation, through a bundle of incentives for new investment projects in the production of advanced technology products and services and/or innovative/new products for the Greek market. The assessment and approval process of investment plans submitted in 2008 is underway and the Ministry of Development has already approved 13 projects.

All R&D project co-funded through the 3rd CSF, and particularly EPAN, are being completed by the end of 2008. A series of major projects has been initiated, in addition to programmes enhancing industrial research, linking research with production and human resources. These include the establishment of 5 Regional Innovation Poles in Thessalia, Kriti, Western Greece and West and Central Macedonia, the innovation zone in Thessaloniki, the Hellenic Technology Cluster Initiatives in the Micro-Electronics sector, the formation of private companies' incubators, as well as the creation of spin-off companies. In addition, a network of women researchers, "Periktioni" has been established, with the participation of researchers from all over the Balkans and the Black Sea, while the Greek Observatory for Research and Technological Skills has been in operation since the 2nd of May 2007. These actions will be further strengthened during the programme period 2007-2013 and are expected to have a medium-to long-term impact.

4.1.2 Future strategy – basic directions – new measures

The NSRF programmes for the period 2007-2013 are the basic funding instruments for activities related to research and technological development. The Strategic Plan for Research and Development, envisaged and coordinated by the GSRT for the programming period 2007-2013, provides in detail the policy directions, the basic principles, the financing means and the objectives of the development strategy. Achieving economies of scale at the regional, national and European level as well as the participation at international consortia is the basic goal of our future strategy. Enterprises will still be the basic recipients of the suggested actions, focusing, however, to business groups, networks and their cooperation with universities and research centres which directly or indirectly target the increase of private investment in research. In all these actions international cooperation will be eligible.

Also, one basic feature of the new strategy is the concentration of resources to particular priority sectors of R&D (thematic areas). The 11 thematic priorities, which came out following a particular methodology and an open consultation process, are presented comprehensively at the strategic plan of GSRT. Further concentration of resources will be pursued, primarily through new major interventions at the sectors of biotechnology, micro-electronics, energy, environment, health, ICT and of the social and humanitarian sciences.

The new long-term interventions with high budget at the national level are the following:

- Large scale projects in research, technological development and innovation, in sectors of significant importance for the improvement in the competitiveness of the Greek economy.
- Establishment of research and development networks /distinctions at public research organisations of advanced research sectors. The specialisation of the research personnel and the production of new knowledge are the short-term goals, while aiming in the long term at taking advantage of this new knowledge and at attracting investors.

At the regional level, by the end of the current Programming Period these new interventions will further be strengthened by:

- The formation of intensive knowledge clusters. The continuation of the existing cluster in the sector of micro-electronics has already been approved. This is a project of € 38 million initially, for the formation of clusters in Athens and Patras, and for creating a supporting programme for research and development to enterprises all over the country), while the approval of clusters in the sectors of biotechnology, energy etc is underway.
- The Regional Innovation Poles, aiming at an integrated strategy for innovation at the regional level. Priority has been given to the formation of 7 new Innovation Poles in regions where they do not yet exist, related to sectors of importance for the regional economies. The development of existing ones will be based on thorough assessment. These long-term projects will be the backbone for supporting regional economies and for linking research to the production process.
- The Innovation Zone in Thessaloniki: The zoning plan will be ready by the end of 2009. Currently, the draft law pertaining to the incentives and requirements for the establishment of enterprises in the Zone is in public consultation.

Other new policy action and direction for enterprises include (a) the strengthening of the supply and demand for Research, Technology and Innovation Services. Small and medium enterprises will be the recipients (b) the formation of venture capital (pre-seed and seed capital) as a complement to the current initiatives for the reinforcement of supply and demand of business capital (TANEO, Fund of digital convergence, incubators of companies), (c) the provision incentives to apply for patents and copyright (d) the participation in joint programmes within the EU, such as the joint technological initiatives.

The aforementioned strategy will be modified, if necessary, on the basis of recommendations from the assessment of the National Innovation System by OECD. The mid-term review is expected to be submitted to GSRT in October 2008.

4.2 Education and information and communications technology (ICT)

Programme “DIODOS”

The success of the programme “DIODOS” continues. This programme provides benefits to tertiary education students in order to have access to the broadband internet. So far, 55,584 applications have been submitted, 38,928 of which have been activated by participating Internet Providers. The rate of new applications submitted is approximately 70 per day.

Table 4.2.1 Monitoring applications/activations of programme “DIODOS”

Month/Year	New applications	Activations
04/2006	2,035	82
05/2006	3,148	954
06/2006	1,298	2,003
07/2006	1,245	1,247
08/2006	1,570	919
09/2006	4,578	1,856
10/2006	5,421	3,627
11/2006	4,725	3,607

12/2006	2,621	2,613
01/2007	3,163	2,124
02/2007	2,062	2,287
03/2007	1,972	1,588
04/2007	1,589	939
05/2007	1,658	1,334
06/2007	827	1,028
07/2007	478	502
08/2007	627	284
09/2007	1,446	660
10/2007	2,844	1,369
11/2007	2,775	1,984
12/2007	1,446	1,773
01/2008	1,763	1,285
02/2008	1,773	1,038
03/2008	1,801	972
04/2008	1,392	1,300
05/2008	1,066	1,265
06/2008	261	288
Total	55,584	38,928

«See your life digitally»

The third round (2008-2009) of the action “**See your life digitally**” starts with an overall budget of € 26.2 million, to subsidise top ranking first year students in order to purchase laptop computers. This action is aiming at strengthening the use of new technologies by the educational community. It is addressed to more than 27,000 students of tertiary education and the response rate reached 93% in 2007, and 85% in 2008.

«A laptop per student»

According to this programme, it is planned to provide specially designed laptops, in accordance with their educational needs, to students, starting from 2009 (initially on a pilot basis). This programme is aiming at allowing pupils to acquaint themselves with new technologies from the very first steps of their education.

«e-ducate»

At the beginning of June 2008 the action “e-ducate” was launched for the education and the certification of students on new technologies and digital applications. This action of € 25 mio budget, is addressed to 200,000 students who succeeded in the university admissions exams in

years 2005, 2006 and 2007 and aims at rewarding them by offering them an important qualification for their curriculum vitae and their future career.

The action comes into effect with the cooperation of the Ministry of Economy and Finance (Special Secretariat for the Information Society), the Ministry of Education and Religious Affairs and the participation of the National Network of Research and Technology, utilising resources from the European Social Fund. In principle, it is addressed to the 20% of the successful candidates with the higher grades in every department or school of tertiary education, enrolled to the higher education institutes through the admissions exams of the above mentioned years. In a next phase, the action can be extended to all students who have already participated in other initiatives of Digital Strategy. The eligible students will have the opportunity to acquire knowledge at basic, advanced and specialised level in new technologies and digital applications, receiving a certificate and paying only 10% of the overall cost. This action is about to be completed by 15, November 2008.

«Organic.Edunet»

This is a multi-lingual federation of learning repositories for the education of young Europeans on the subjects of Organic Agriculture and the Agroecology. The aim of Organic.Edunet is to facilitate the access, use and exploitation of digital educational content of Organic Agriculture and Agroecology issues. The ultimate goal of the project is to inform and educate, with the use of easily accessible digital content, pupils and young agriculturalists across Europe for the advantages of Organic Agriculture and Agroecology. The project is financed by the Programme *eContentplus*.

EDET

Financing for the operation of the high-speed National Network of Research and Technology (EDET) for all the Universities has been guaranteed for the next 15 years.

Schools network

Upgrading of the Greek Student Network from dialup to broadband connection continues at a fast pace. Currently, through the Greek Student Network 99% of elementary schools, high schools and lyceums of the country are connected to the internet, while by the end of October, the transition of more than 65% of schools to high speed broadband connections will have been completed.

4.3 Digital strategy

4.3.1 Progress achieved the period 2007-2008

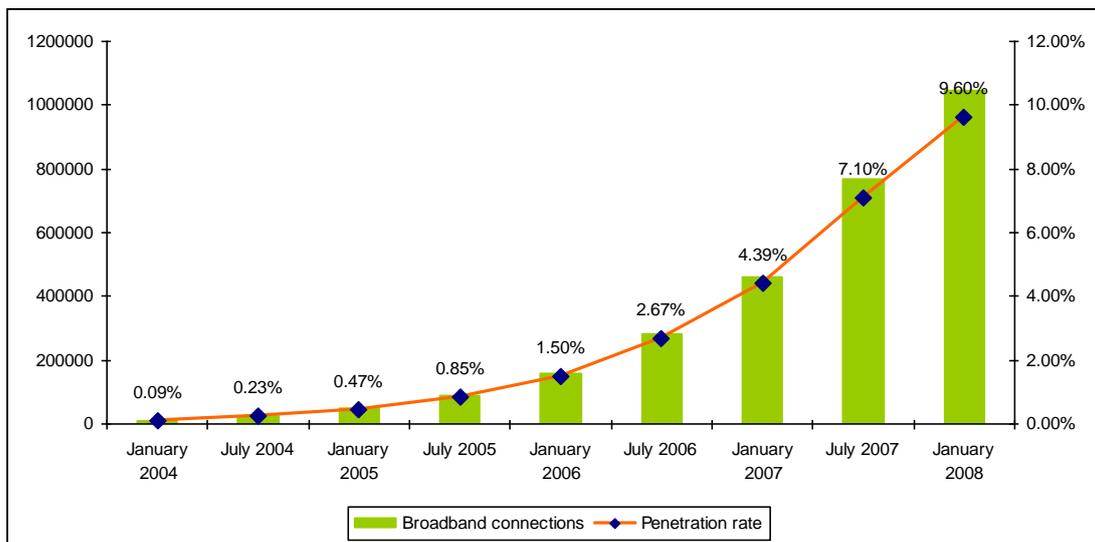
In 2007, the second year since Digital Strategy has been put into effect, Greece continued on the trajectory of digital convergence with other EU members. The progress achieved so far is outlined emphatically in the European Commission's Mid-Term Review regarding the progress of i2010 policy in Europe, highlighting that “[S]trong policy commitment, notably the National Digital Strategy (2006-2013), has led to a stable improvement of most benchmarking indicators”⁵.

- The high growth rates of broadband continued in 2007

⁵ «Preparing Europe's digital future – i2010 Mid-Term Review” – May 2008 – European Commission

- According to international reports⁶, in 2007 Greece was ranked sixth worldwide and first among the EU countries with respect to the annual growth rate of broadband, while in 2006 it was ranked first worldwide.
- The cost of broadband connection has decreased (by 85% from 2004 onwards) with the monthly fee for an ADSL connection at the EU average.
- The “Plan for the Broadband Development” of the Digital Strategy and the liberalisation of the electronic communications market allowed for the prompt expansion of broadband penetration (the fast internet penetration reached 9.6% of the population in the beginning of the year and is currently anticipated to have reached 12% compared to 0.1% in 2004 (Diagram 4.3.1.1)).

Diagram 4.3.1.1: Development of broadband penetration in the population 2004-2008



- The number of digital services available further increased by 4 reaching 9 (reaching the 47% of total), compared to 5 at the beginning of 2005 (20% of total).
- The use of new technologies by citizens and enterprises has improved significantly. In particular:
 - For citizens, an increase by 53% of the use of personal computers and by 70% of the access to the internet has been recorded, for the 2004-2007 period (official figures by the National Statistical Services of Greece).
 - The increase of the average annual growth rate of households with access to the internet reached 11.7% compared to 6% in EU27 (source: Observatory for the Society of Information).
 - The 99% of Greek enterprises (with 10+ employees) utilises personal computers, while 94.2% has now access to the internet, with 27.7% of employees using it on a daily basis.

⁶ Point Topic: World Broadband Statistics 2006 and 2007

4.3.2 New initiatives for the period 2008-2010

The coming years, the initiatives of Digital Strategy 2006-2013 will keep materialising, directed at the:

- Use of new technologies for the improvement of productivity
- Use of information technologies and the internet for the improvement of the Quality of Life.

In particular, during 2008 and the coming years:

i. Programme “Digital Convergence” (NSRF 2007-2013): Approved by the EU and is underway in the framework of National Strategic Research Framework 2007-2013.

ii. Policies for broadband development in the context of Digital Strategy:

- **Developing broadband infrastructure via Next Generation Networks.** With regard to broadband infrastructure, at the beginning of September 2008, the Minister for Economy & Finance and the Minister for Transport & Communications jointly presented a project for developing FTTx Next Generation Networks based on fibre optic technologies for the establishment of an open access network providing high speed connections (100 Mbps minimum), thus, allowing for the gradual interconnection of more than 1.5 million residences. This project, with a budget of approximately € 2.1 billion, will be realised through the Greek framework for Public-Private Partnerships (PPP). We have adopted the pattern of infrastructure providers for the construction (within seven years), the maintenance and the provision of the passive infrastructure, i.e. the dark fiber to telecom providers. Accordingly, the relevant regulatory framework is near completion and will deal with legal and regulatory aspects of the smooth implementation and facilitation of the development of fibre optic networks (see Right-of-way for new and existing infrastructures, access arrangements to premises etc.). In the draft Joint Ministerial Decision currently in its final phase we clearly set the technical terms and conditions (installation guide for internal fiber optic networks, accessibility issues, expansibility, maintenance, operability etc.). By the end of the year, the file will be completed (following public consultation) and will be submitted to the EU Commission, which will review the compatibility with EU law of the model selected for the establishment of the network, as well as the state aid that will be provided via the National Strategic Reference Framework, in order to ensure full compliance with competition rules. It is worth mentioning that parallel to the development of fiber optic networks, special emphasis is placed on the development of WiMax and satellite internet combined with WiFi, in order for wireless technologies to cover as many areas as possible (and notably hard-to-access and remote areas) and ensure fully reliable connections, higher speeds and lower costs for users-consumers.
- Continuous implementation of the set of actions, included in the **Plan for Broadband Development** (with a total budget of € 450 million by 2009), financed by the third CSF and aiming at increasing the broadband penetration by 90% (compared to less than 40% in 2004) and the geographical coverage by 60% (compared to less than 10% in 2004) by the end of 2009. A major broadband project is in progress in Greek rural areas, including the construction of metropolitan fiber optic networks in 75 cities, of wireless networks in 120 cities and 20 local government unions, etc.
- At the same time, the Ministry for Transport & Communications presented in February 2008 the “Strategy on electronic communications and new technologies”, based on three axes:
 - 1) developing infrastructure via next generation access (see above) so that Greece becomes an international hub based on an adequate network infrastructure, linking all

the countries of SE Mediterranean and the Balkans, as well as in order to develop infrastructure in the large urban centres of Greece.

2) introduction & development of new technologies, among others, via issuing a digital frequency plan; special emphasis is placed on the development of digital TV and radio and mobile TV, on better coordination of frequencies thus, eliminating interferences in border areas, as well as on the completion and upgrade of new digital technologies standards etc.

3) pilot applications for citizens in view of the potential of the digital era, which will enable citizens, based on pilot actions, to get acquainted of new technologies, to familiarise with them and make them part of their daily activities.

iii. Policies for the digital public administration:

- 40 **digital operations** concerning everyday services of citizens by the central administration are to become operative within the following 12 months.
- EU has approved and has already launched the Operational Programme “**Administrative Reform**”.
- The Ministry of Interior, in the framework in Digital Strategy, is preparing a roadmap for the Electronic Governance and, in particular, for enhancing the productivity of public administration.

iv. Policies for the regional development:

- A bundle of actions for the capacity building of local governments on the utilisation of the information and telecommunications technology potential is to be completed within 2008. In the framework of the development plan, more than 470 digital gates for smaller municipalities of the country are to be created, while more than 17,500 of Mayors and Municipality Counsellors are to be trained in the new technologies, in cooperation with the Council of Greek Municipalities and Regions.

v. Policies for the education and the ICT:

- Policies for the education are described extensively in section 4.2. Notably, they include the actions “**see your life digitally**” “**e-ducate**”, “**DIODOS**”, “Organic.Edunet”, the development of the National Network of Research and Technology and the upgrading of Schools network.

vi. Policies for the digital security and familiarisation:

- The «**Task Force for the Digital Security**» (DART - Digital Awareness and Response to Threats) has been established and takes action all over Greece, aiming mainly at acquainting citizens with the prevention of digital risks and at reinforcing trust to new technologies.
- The informational campaign for the designation of “**Digital Greece**” has been put into effect, aiming at the acquaintance and familiarisation of citizens and enterprise with the everyday benefits of technology. This campaign will remain in the framework of NSRF 2007-2013.

vii. Policies for the improvement of the accessibility for persons with disabilities:

- Actions with an overall budget of € 100 million have been put into effect, aimed at improving accessibility for people with disabilities. Also, the action “**Digital Television for Persons with Disabilities**” was incorporated in the government’s Digital Strategy, funded by € 45 million (national and European resources).

viii. Policies for the improvement of the productivity of enterprises:

- During the past few years, more than 65,000 small and medium enterprises have been financed for the utilisation of information technology and the internet.
- The cooperation with major international information technology companies is planned and will be put into effect aiming at taking advantage of international experience and at accelerating investment in technology (Agreement of the Greek government with Microsoft Corporation).
- In the framework of the fourth programming period 2007-2013, the call for tenders for the establishment of the Fund for the **Digital Leap Forward** is to be completed, budgeted at € 100 million, aiming at financing the start-up of new enterprises or early stage enterprises in the sector of information technology.

ix. Policies for the modernisation of health care system:

- During the 3rd CSF, infrastructures of ICT health units of the National Health System have been developed and a joint reference framework has been adopted, (codification of medical practices, codification of diagnosis, registries of medical equipment and sanitary material etc.) Also, among others, joint procedures for the everyday activities of Health Units and the regular monitoring and rationalisation of financial figures and health expenditures have been applied.
- In the framework of the Operational Programme «**Digital Convergence**» of the fourth programming period the following basic pillars have been included:
 - Electronic file of citizens at the national level.
 - Actions of tele-medicine, tele-care, tele-counselling etc.
 - Electronic Health Card.
 - Technological support for the first degree health infrastructure.
 - Health expenditure auditing.
 - Support of sensitive social groups (handicapped, addicted to drugs etc.).
 - Specialised actions of tele-medicine, such as the tele-psychiatry (Psychiatric file, teleconference, tele-diagnosis).

The above have been included in a relevant Action Plan, which has been prepared, placed in public consultation and has been finalised with the participation of all parties involved.

5 Business environment

Main pillars for the improvement of the business environment

- Improving the legislative framework
- Opening up markets and increasing competition
- Promoting the outward orientation of the economy

Improving the business environment has been a key priority for the Greek government during the first cycle of the revised Lisbon Strategy, and it remains one of the primary priorities for the 2008-2010 period. The aim is to unlock the growth potential of the Greek economy and to address the structural weaknesses hampering entrepreneurial activity.

During the 2004-2007 period, significant progress was recorded in improving the tax environment, as well as in simplifying procedures and the reducing the administrative burden, opening up markets to competition, promoting the outward orientation of the economy and contributing to the operation of the internal market. These positive developments are reflected in the recent “Doing Business” report of the World Bank in which Greece records the 13th most sizeable improvement in relevant rankings among 181 countries, and the greatest

improvement among EU Member States, alongside Slovenia.⁷ Despite the notable progress made in the last few years, significant scope still remains for improving the business environment and the intention of the government is to accelerate reforms during the 2008-2010 period.

5.1 Development strategy

Enhancing the growth potential of the Greek economy and accelerating economic growth and productivity growth (at rates exceeding the EU average) are the main strategic objectives.

An important means for achieving these objectives is the O.P. “Competitiveness and Entrepreneurship” which includes targeted actions aimed at promoting innovation and the outward orientation of the economy, cutting red-tape and simplifying the legislative framework for entrepreneurial activity. Emphasis is also placed on promoting strategic collaborations between enterprises (mainly SMEs) and research centres.

The programme was submitted to the European Commission in May 2007 and was approved in October 2007, in the first group of Programmes to receive approval within the context of the National Strategic Reference Framework (NSRF) 2007-2013. The national contribution to the programme’s budget amounts to € 430 mio, while EU funding is € 1.291 bn. The expected mobilisation of private funds is € 1.411 bn.

The achievement of the strategic objectives is also supported by the co-funded actions of the new Regional Operational Programmes. Specifically for the regions of Attiki, Central Makedonia, West Makedonia, Sterea Ellada and South Aegean, the regional Operational Programmes are envisaged to include related actions in the amount of € 1.498 bn.

5.2 Improving the institutional framework

Measures aimed at improving the institutional framework for business activity include the provision of financial incentives and the removal of disincentives associated with, inter alia, the complexity of licensing and operation procedures, land use and planning regulations, and public procurement. In complement to specific actions mentioned in the following subsections, a comprehensive approach for **better regulation and the reduction of administrative burden** is currently underway. This approach is part of the broader reform in public administration and is treated separately in chapter 3.2.

5.2.1 Economic incentives

The phased reduction in the **corporate tax rate** has been legislated for domestic and foreign limited liability SA companies, including co-operatives, public and municipal enterprises. More specifically, the corporate tax rate will be reduced from 25% in 2008 to 24% in 2010, 23% in 2011, 22% in 2012, 21% in 2013 and 20% in 2014.

The **Investment Incentives Law**, as amended by Law 3522/2006, has been in force since 2007. The law allows for the maximum aid provided by the EU Regional Aid Map for the 2007-2013 period. A set of incentives is provided for attracting private funds to priority sectors such as innovative and advanced technology products and services, facilities for applied and industrial research, renewable energy sources and tourism infrastructure. The Law provides for a maximum support of up to 60%, depending on firm size and geographical location. Since its first enactment, 7,449 applications have been submitted concerning investment projects in the amount of € 19.3 bn. In total, 4,773 investment plans have already

⁷ http://www.doingbusiness.org/documents/DB09_Overview.pdf

been approved, amounting to € 10.5 bn, directly creating 24,941 jobs (not including indirect job creation).

5.2.2 Simplification in licensing and operation procedures for enterprises

The implementation of the recently **simplified start-up framework for limited liability companies** (Law 3661/2008) is an important development regarding the improvement of the business environment. The minimum capital required is reduced from € 18,000 to € 4,500, thus also limiting the amount of the Capital Accumulation Duty, which is set at 1% of the capital. In addition, the start-up time necessary has been reduced by half.

A further legislative act is currently underway for the **simplification in the starting up of commercial enterprises**, drawing also on consultation with external experts. The draft law is being prepared jointly by the Ministry of Development, the Ministry of the Interior and the Ministry of Economy and Finance.

The implementation of the **General Commercial Registry (GEMI)** is proceeding steadily. The modernisation of legislation regarding digitised and automated registration procedures and monitoring of commercial businesses (Law 3419/2005) has been a fundamental prerequisite. GEMI is set to launch operations on 2.1.2009 and its budget will amount to € 556,325.

The tender for the establishment and pilot operation of the **National Observatory of Commerce** has been announced and is currently in the process of assignment. The observatory is a mechanism for the effective monitoring of commercial sectors and enterprises at the national, regional and local level. Its role will be to provide accurate and timely information to existing and potential entrepreneurs, researchers and other interested parties, to present opinions and submit proposals to policymakers.

Additional actions currently planned include the following:

- **The modernisation of Chambers** and their upgrading to one-stop shops regarding licensing and operation processes of enterprises. In this context, the respective legislation will be codified and there will be a review of possible amendments in the legislative framework, as well as a compatibility study with the technical interface of GEMI, drawing on international best practices.
- **The upgrading of the institutional framework of the National Observatory for Commerce.** This includes market screening studies, a land and sectoral development study pertaining to the National Observatory for Commerce and a study on the possible creation of commercial and business neighbourhoods/parks.
- Exploring the utilisation of the Public Private Partnerships framework for the development of **infrastructure for transit commerce / freight centres**.
- Actions and programmes which will support enterprises to participate in **organised buy or/and sell** networks both in Greece and abroad.
- Tools for enhancing the **competitiveness of SMEs** and promoting their external orientation.
- Study on the establishment of a **Commercial Quality Tag**.

Finally, the role of the legislative framework for **Public Private Partnerships (SDIT)** is worth mentioning, as it has significantly simplified the participation of the private sector in the “market” for public goods and the development of infrastructure.⁸

⁸ More information regarding PPP projects is included in chapter 2.5.

5.2.3 Land use and planning regulations

Significant progress is being made regarding the implementation of physical planning and land use regulation at the national level, the lack of which has been, in the past, a serious setback for entrepreneurial activity and has contributed to environmental deterioration through the unregulated use of urban and rural space. This is being addressed through the completion of the **General Framework for Physical Planning and Sustainable Development**. The General Framework has recently been approved by the Parliament. A number of **Specific Frameworks** have also been prepared and await approval. They elaborate the general framework in the areas of Renewable Energy Sources, Industry, Tourism, Coastal land, islands and mountainous land.

5.2.4 Public procurement

In 2007 important steps were taken for improving the legislative framework for Public Procurement. The new **Regulation for Public Procurement** was established by Presidential Decree 118/2007, aiming at simplifying procedures, increasing transparency and facilitating participation to both closed and open tenders. The new regulation became effective on January 1st, 2008.

In addition, in June 2008 Law 3580/2007 was activated for the **Procurement of Institutions supervised by the Ministry of Health and Social Solidarity**. The law stipulates for the first time a comprehensive procurement system according to European and international standards which ensure transparency and promote competition. This new system is a significant innovation in that:

- It collects the needs of all hospitals across the country, allowing for a Unified Procurement Programme, aiming at covering the real needs of healthcare institutions.
- It compiles model contracts, which can be used for a wide range of products and health services.
- It allows for direct reimbursement of suppliers, contributing to reduced prices in healthcare products/services.
- It creates a Registry of Healthcare Suppliers, which will be continuously updated, introducing high standards and requirements and excluding suppliers of goods and services which are of questionable quality.
- It imposes modern and completely objective specifications.

Tenders can be initiated, either by a single institution, or collectively at the national level, under a common set of standards, which are stipulated following a consultation process with all interested parties.

In the context of implementing Law 3580/2007, the 9 members of the Procurement Committee have been designated and the process of hiring for the supportive mechanisms has been initiated, while the compilation of the Committee's Code of Conduct has been commissioned. The Health Procurement Committee (EPY) coordinates and monitors the procurement of a wide range of entities (IFET, DEPANOM, EKEBIL) and has already taken the following actions:

- It has created a flexible system for the procurement of hospitals.
- It has completed the preparatory actions that will enable it to initiate major tenders in line with national and EU legislation.
- It has grouped together the needs of hospitals for the coming year and has planned common tenders.
- It has processed the standards for the Registry of Healthcare Suppliers.
- It has drawn up draft model contracts for products covered by obsolete legislation.

Furthermore, the judicial obstacles in the implementation of the **National System of Electronic Public Procurement** (ESIDP) have been overcome and offers are currently being evaluated. ESIDP is an IT project aimed at creating the necessary infrastructure at the General Secretariat for Commerce and entities in the Unified Procurement Programme, which will enable them to publish carry out, award and monitor tenders electronically.

Lastly, it is worth noting that the rate of completion of public procurement tenders has gradually been improving. Outstanding tenders have been reduced from 505 in October 2007 to 466 in July 2008 (a reduction of around 8%), against a constant monthly rate of new tenders within this period.

5.2.5 Capital markets

According to the conclusions of the 2008 Spring European Council, the recent turbulences in the financial markets highlight the need to further strengthen the framework through enhancing preventive supervision and improving measures for crisis management.

Within this context, in July 2008, the revised **Memorandum of Understanding** for crisis management and resolution was implemented, signed by 130 concerned parties at the highest level. This framework introduces the following significant changes:

- Given the increasingly strong interlinkages between the various areas of the financial sector, it was deemed necessary to include the Securities Market supervisors and Insurance supervisors.
- Common principles for cross-border crisis management were included, as well as a common evaluation framework of the systemic complications of a financial crisis and common practical guidelines for crisis management and resolution.

In more detail, the Memorandum provides for:

- Terms for co-operation between supervisory authorities.
- The activation and co-ordination mechanisms for supervisory authorities in the event of cross-border crisis .
- Procedures for the exchange of confidential information.
- Procedures for disseminating information to the public.
- The elaboration of a contingency action plan.
- Confidentiality terms.
- Monitoring and revision procedures.

Moreover, important initiatives have been undertaken at the national level for the establishment of a framework for the co-operation and co-ordination of supervisory authorities through the creation of the **Domestic Standing Group**, which includes representatives from the Capital Market Commission, the Ministry of Economy and Finance, the Bank of Greece and the Private Insurance Supervisory Committee. The main objective of the Domestic Standing Group is to ensure the stability of the financial sector and provide for crisis management. More specifically, some of the most important responsibilities of the Group are to continuously monitor the stability of the Greek financial system, to establish and implement a national crisis management contingency plan and to carry out crisis simulation exercises.

5.3 Market liberalisation and competition enhancement

5.3.1 Institutional developments – Independent regulatory authorities

Regarding the operation of independent regulatory authorities, the following initiatives are planned:

- Restructuring the **Hellenic Competition Commission (HCC)**, aiming at enhancing the IT and administrative infrastructure and the establishment of Internal Audit services.
- The establishment of a **Market Supervision Service**. The respective draft law has been submitted to Parliament, providing for the restructuring and adaptation of existing bodies, including the establishment of an internal audit service, with the aim to improve the coordination and efficiency of the various market monitoring mechanisms.
- A study for the improvement and modernisation of the administrative system of street markets in Athens, Piraeus and Thessaloniki.
- In the context of opening up railway transport, a draft law was submitted to the Parliament in September 2008 by the Ministry of Transport and Communications, providing, inter alia, for the establishment of two Independent Authorities. The first is the **National Railway Board**, responsible for regulating the railway sector, issuing licences to railway companies and defining the Public Service Obligation. The second is the **Railway Accidents Assessment Body**.

5.3.2 Consumer Protection

In addition to enhancing competition in the market for goods and services, the diffusion of information and the effective protection of consumers is a basic requirement for the smooth functioning of the markets. To this end, a number of mechanisms are already in place and others are being developed, aiming at effectively **monitoring price developments in the domestic markets**. Examples of monitoring mechanisms include the following:

- Industrial and manufacturing companies and importers-wholesalers are required to produce, upon request by the General Secretariat of Commerce, detailed figures which justify price increases on the basis of cost developments. In the case of non-compliance, the Market Regulation Code provides for public prosecution with potential administrative sanctions and possible incarceration.
- Random price samplings are carried out in a number of staple food products.
- The establishment of the Price Observatory.
- The introduction of the crossed cheque for commercial transactions in excess of € 1,000 between producers and merchants for vegetables and meat.
- The requirement to indicate the product price - and price per unit of measurement for packaged goods - in a clear and legible manner.
- The requirement to explicitly indicate discounts on the invoice, in order to increase transparency and ensure that consumers actually benefit from advertised discounts.

The establishment of a common **Market Supervision Service** is underway, with the aim to improve the coordination and efficiency of the various market monitoring mechanisms of the General Secretariat of Commerce.

Stricter sanctions have been legislated and included in the Market Regulation Code, complementing the enhanced legal framework for market monitoring which was established following the amendment of Law 2323/1995, in Laws 3377/2005 and 3557/2007 as well as Presidential Decree 254/2005.

Furthermore:

- The amendment of Law 2251/1994 on consumer protection has been completed with the enactment of **Law 3587/2007**.
- A **codification** process has been initiated for all legislation on consumer protection.
- The **Consumer e-Forum** will be completed by the end of 2008, creating a web-based channel for direct communication with consumers.
- Support projects have been completed for the development of a **common database** and for the enhanced operation of the General Secretariat for Consumers. These projects had a budget of € 90,000 and were part of the OP “Competitiveness”.

Further initiatives with a total budget of € 200,000 are expected to be completed in 2008:

- Creating and organising **Consumer Information Offices** at the capitals of Prefectures,
- developing a **central system for market supervision**,
- developing a **legal database** at the General Secretariat for Consumers,
- defining **Consumer Ethic Codes**.

In addition, the installation of an electronic complaints monitoring programme has been completed, while the Consumer Hot-line (1520) continues its successful operation.

Furthermore, the European Consumer Centre continues to operate successfully, the establishment and operation of the West Balkans Consumer Protection Network has been completed and the Network of Euro-Mediterranean Cooperation for the information of consumers has been implemented.

5.3.3 Deepening the internal market

In 2005, a significant effort was initiated, aiming at **accelerating the transposition rate** of EU directives. This effort is co-ordinated by the General Secretariat of the Government in cooperation with the Greek Permanent Representation. The impact of this initiative is reflected on the significant and steady decrease of the transposition deficit, from 5.1% in November 2005, to 3.7% in September 2006 and 2.4%, in July 2007. This trend continued also in 2008, resulting in a transposition deficit of 1.4% in July, thus fulfilling for the first time the intermediate target of 1.5%. The aim is to reduce the transposition deficit even further, as Greece ranks in the 22nd place among EU Member-States, despite the aforementioned progress. Moreover, it should be noted that there has been a considerable reduction in the handling time of SOLVIT cases, down from 20 weeks, in 2006 to 11 weeks in 2008.

Regarding Directive 123/2006 for creating an **internal services market**, the transposition process will be completed in three stages by the end of 2009. The first stage includes taking stock of all licensing procedures and requirements for setting up a company (such as administrative procedures, restrictions, requirements, obligations which arise from established administrative practices or legislation). The second stage involves screening these procedures, by the administrative bodies which handle licensing, in order to abolish or amend procedures which do not comply with the directive’s provisions. The third stage involves collecting all relevant information and submitting it to the database maintained by the European Commission. An experts committee has been established under the supervision of the Ministry of Economy and Finance, in order to elaborate on the transposition of the directive. The committee is currently in the process of recording and assessing all Ministerial provisions, which could be annulled by the amendments required in national legislation.

5.3.4 Privatisations

The implementation of the privatisation programme is a main policy priority aimed at reducing participation of the state in economic activity, at opening up markets and at increasing competition and optimising the utilisation of public sector assets.

The new privatisations programme aims at maximising benefits for the economy as a whole, instead of following a purely revenue maximising approach. In this context, great emphasis is placed on maximising the value of state owned enterprises in the first place and on sufficiently preparing the actual privatisation process. This has made it possible to reap maximum economic benefits and has ensured that privatisation decisions were not taken under pressure.

Since March 2004, when the Greek government embarked on these efforts, a series of privatisations has been concluded successfully, thus opening up markets to competition and raising revenue in the amount of € 6.7 billion, which have contributed significantly to the reduction of public debt. Furthermore, the privatisation programme has helped put Greece back on the international investment map, with 77% of all privatisation revenue arising from foreign capital inflows.

In May 2008, 3% of the shares of the **Hellenic Telecommunications Organisation (OTE)** were offered by the state, raising € 431 million. This amount will be received by the end of 2008, upon completing the transaction and transferring shares from the Greek State to Deutsche Telekom. This development ensures the co-operation of OTE with a major strategic partner. The strategic partnership of OTE with Deutsche Telekom is expected to play a critical role in enhancing competition in the telecommunications market, leading to improved products and services at more competitive prices, all to the benefit of consumers.

In addition, the tenders for the management of the freight centres of the Piraeus and Thessaloniki **Port Organisations** have been carried out successfully.

The approval by the European Commission of the privatisation plan for **Olympic Airlines S.A. (OA) and Olympic Airways Services Group (OAS)** has been a particularly important development. This plan provides for the transfer of certain assets of OA and OAS to three different companies, already existing or to be established especially for this purpose. The procedure of transferring assets will be launched after the selection of private investors through an open international tender, and in parallel with the preparation of the full operation of the new companies. Private investors are expected to be selected by the end of 2008 and the privatisation of OA and OAS is estimated to be completed by the spring of 2009.

The endorsement by the European Commission is a critical factor for attracting investors and this is the element which was lacking from previous attempts to privatise OA. In addition, the plan provides for the following:

- Use of the name “Olympic” and of the Olympic circles.
- Utilisation of OA and OA-S assets by the new companies,(assets which are of significant value).
- Uninterrupted service to the periphery of the country and loss-making destinations.
- Uninterrupted flight service throughout the privatisation process and, therefore, sustained servicing of passengers.
- The functioning of the new company in slots which correspond to 65% of currently available (based on the summer 2008 programme) passenger kilometres. This restriction applies only for the first day after completing the privatisation, after which the investor will have the opportunity to expand operations.

Moreover, a number of provisions are made for the employees with emphasis on maintaining safeguarding employment, supporting income and safeguarding their social security rights. Apart from these, the privatisation programme currently underway also includes the following:

- Privatisation of various assets of the **Tourism Development Co. (ETA)**, including the Corfu Casino, the Afandou Golf club in Rhodes, the saltern area in Anavissos and the Xenia hotels in Vitina and Skiathos. The procedures for developing the Faliro Marina and the Xenia hotel at Tsagarada have been concluded.
- Finding a strategic partner for the **Hellenic Post Courier Services S.A.**, a subsidiary of the Hellenic Post Group (ELTA). The international tender process is in its final stage and is expected to be concluded before the end of 2008.

The privatisation programme is expected to be further enhanced through:

- The utilisation of **state-owned real estate property** through the implementation of Law 3581/2007 on “Sale and leaseback”, as well as with the implementation of the legislative framework for Public Private Partnerships (Law 3389/2005).
- Exploring the development of the Greek State participation in **Public Gas Corporation S.A. (DEPA)** after completing the legislative framework and the liberalisation of the natural gas market.
- Investigating the further development of Greek State participation in **Athens International Airport S.A.**, via listing the company in the Athens Stock Exchange at an appropriate time depending on market conditions.
- Investigating the most profitable ways of developing State participation in listed and non-listed companies.

The implementation of the privatisation programme has contributed to raising revenue and promoting economic activity. The objectives of the programme remain focused on accelerating structural change and enhancing competition.

5.3.5 Network industries

5.3.5.1 Electronic communications

The market of Electronic Communications in Greece continues to grow rapidly. More specifically, the total number of **mobile subscribers** amounted to 16,227,000 at the end of 2007, an increase of 17% compared to the end of 2006. Also, for the same period, the number of active mobile subscribers stood at 12,295,000, which corresponds to a penetration rate of 110.1% in the Greek population compared to 99.8% in 2006.

In the **fixed telephony**, competition continues to be intense. The market share of alternative operators in directly connected subscribers exploded, from below 1% in end 2006 to around 4.5% in end 2007. On the other hand, OTE has managed to retain its market share in voice traffic (68.9% in the first half of 2007, compared to 69.4% in the first half of 2006).

The **broadband market** presents a particularly rapid development. The total number of broadband lines in December 2007 had reached 1,017,000, amounting to a broadband penetration rate of 9.1%, compared to 4.4% in end 2006. According to latest data available (June 2008), the number of broadband subscribers had reached 1,246,000 (penetration rate of 11.2%). This increase is followed by a sharp increase in access speeds. More specifically, in December 2005, more than 80% of broadband users used packages with nominal download access speeds below 514Kbps, while all packages were limited below 1Mbps. In December 2007, almost all subscribers used packages with nominal download access speeds at 768Kbps and above, while almost half of them used packages at 2Mbps and above. In parallel, according to data by the Observatory for the Information Society, broadband access costs

continue to reduce rapidly. In the January 2006 – January 2008 period, the average cost of a broadband package was reduced by 54% to 76%, depending on the access speed. Such steep price reductions, in conjunction with the increasing access speeds have resulted in even higher reductions in the average access cost per Mbps, which in the January 2006 – January 2008 period, vary between 77% and 88%. As a result of such developments, Greece has presented during 2007 one of the highest increases in broadband penetration in the EU.

The unbundling of the local loop has been the vehicle for these developments, enabling alternative operators to offer service packages, which combine Internet access at high speeds with voice telephone services and often IPTV or Video on demand. As a result, the number of LLU lines has reached in end 2007 274,000 lines, compared to only 20,000 in end 2006, while in end September 2008 it had reached 545,000, accounting for more than 10% of main telephone lines. The development of physical collocation has continued, with the number of OTE sites with physical collocation increasing, from 38 in end December 2006, to 119 in end December 2007 and 152 in end June 2008, giving alternative operators access to a subscriber base corresponding to approximately 63% of main telephone lines.

From a **regulatory perspective**, a number of decisions have been issued with utmost significance for market development, including:

- The amendment of the General Authorisation Regulation, which includes provisions for the delivery of VoIP services.
- The Regulation for the Accounting Separation of OTE.
- The Reference Offer of OTE for Leased Lines (terminating segments and trunk connections).
- The Reference Offer of OTE for Wholesale Line Rental (WLR).
- The Regulation for the measurement and publication of Quality Indicators regarding the offered telecommunications services.

In parallel, a number of Decisions have been issued by the Ministry of Transport and Communications, following proposals by the National Telecommunications and Post Commission (EETT), regarding the National Numbering Plan and the Universal Service. Finally, a draft Common Ministerial Decision has been prepared by EETT and submitted to the Ministry of Transport and Communications, regarding the procedures for Rights of Way.

In 2008, the second round of market analyses has been initiated, according to the provisions of Law 3431/2006, as well as, the amendment of the relevant Recommendation of the European Commission. Other important regulatory and supervisory activities, which are underway or are expected to start within 2008, include the following:

- the Code of Practice for the relationship between operators and consumers,
- the Accounting Separation of Mobile Operators,
- the Access and Interconnection Regulation for operators without Significant Market Power,
- the Reference Interconnection Offer for Mobile Operators,
- the Regulation for the security and integrity of telecommunications networks
- the amendment of the Regulation for the terms of use of radio frequencies
- the extension of spectrum monitoring coverage in the periphery of the country

The above projects are part of EETT's regulatory strategy for the 2008-2011 period, which has been designed and published early in 2008. According to it, the main strategic goals of EETT's regulatory policy, for the 2008-2011 period, are the following:

1. Enhancement of competition at the Service level, with two main goals (a) strengthening competition in the voice and broadband markets, and (b) encouraging alternative operators to climb up the ladder of investment.
2. Development of full competition at the infrastructure level, with four main goals (a) to strengthen the development of LLU, (b) to facilitate access to the sub-loop and the fibre and collocation / common use of trenches and ducts, (c) to evaluate the plausible separation of networks and services, and (d) to encourage the development of advanced technologies with emphasis in next generation access networks.
3. Improving spectrum availability and supporting the creation of advanced infrastructure in wireless networks, so that more efficient use of spectrum will be attained, competition will be strengthened and innovation will be developed.
4. Ensuring the availability of innovative services to the customer, by encouraging the import and development of products based on convergence, raising the awareness of all stakeholders and amending the numbering framework, so as to respond to market developments.
5. Ensuring benefits to the consumer, in terms of quality of service, availability of networks and transparency of information.

5.3.5.2 Postal Services

The Postal Sector is growing at a fast pace. According to EETT, in the **courier services market**, which is the postal market section open to competition, the average annual growth rate in the volume of delivered items during the 2000-2006 period was 15.5%, while revenue grew at an average annual rate of 14.5% over the same period.

The **universal services market** has been growing during the 2000-2006 period, albeit at a slower pace (8.11% annual average growth in revenue and 2.28% in items handled). The courier market generated 39.2% of total revenue in the postal market, compared to 38.5% in 2005, while employment has been increasing steadily since 2000.

According to the Universal Service quality measurements announced by EETT, the rate of A Priority mail delivered within one working day was 80%. EETT, in collaboration with an independent organisation, conducted a comparative study on the Greek postal market characteristics and the developed markets of the European Union. In the same context, EETT called for a public consultation on the modification of the current regulatory framework as well as on the strategic growth of the postal market, in order to proceed, within 2008, to the required amendments in the regulations regarding general and individual licenses. Finally, EETT collaborated with the Universal Services Provider (Hellenic Post) for the elaboration of new and improved cost accounting system.

Moreover, EETT is collaborating with professional Greek Chambers, Tax Service Offices and Consumer Unions in order to facilitate the smooth operation of the postal companies within the regulatory framework, improve the services provided and accelerate growth in the postal market.

A number of interventions, co-financed by the EU within the framework of the OP "Information Society", will be completed by the end of 2008 by Hellenic Post, the Universal Service Provider.

The interventions focus on:

- The development of modern information technology systems, aiming particularly at improved services for citizens, improved internet access and the development of new services such as hybrid mail and electronic payments.

- The creation of an Automated Sorting Centres Network, aiming at the improvement of quality and the reduction of the cost of the universal service.
- The training of employees and the operational reorganisation of the Universal Service Provider.

In support of these actions, the Strategic Business Plan of Hellenic Post for the 2008-2010 period provides for additional investment, aiming at improving the automation of regional postal shops and production units, the access of citizens to electronic services and the internet, as well as the development of new value added services.

According to Directive 2008/6/EU on the integration of the Community postal services internal market, **the complete opening** is to be achieved by 01.01.2011, allowing for a derogation for 2 more years (until 01.01.2013) for specific Member-States, including Greece, which has formally expressed on 13.06.08 the intention to utilise this clause.

Until full market opening, the following **strategic objectives** have been set with a view to safeguard Universal Service provision, the growth of Greek postal market as a whole and the provision of reliable and modern postal services at competitive prices:

- Satisfaction of the increasing Postal Market needs and further market development (e.g. hybrid and direct mail).
- Provision of quality Universal Services, effectively and affordably for the users, along with the progressive increase of competition in the market.
- Optimal utilisation of the Public Postal Network for the enhancement of competition, the support of the Universal Service and the provision of services of General Economic Interest
- Clear distinction of roles between the State, the Regulatory Authority, the Universal Service Provider and other providers.
- Elaboration of an Integrated National Strategy for the parcel sector (transport, logistics, courier, postal markets) - utilisation of financing via NSRF (National Strategic Reference Framework).

In this context and following the decision of the Interministerial Committee for Privatisations, the privatisation process of ELTA's subsidiary company, Hellenic Post Courier Services S.A. has begun and is expected to be completed by the end of 2008.

5.3.5.3 Energy market

In the energy sector, the Ministry of Development and the Regulatory Authority for Energy (RAE) are continuing their efforts to improve the framework of the liberalised market, in tandem with ongoing negotiations in the EU regarding the legislative framework presented by the European Commission in September 2007 for further opening up the electricity and gas markets.

More specifically, in the **electricity sector** the high voltage retail tariffs have been liberalised since 1/7/2008, while the process of publishing unbundled retail tariffs per service provided is progressing at a fast pace. This will allow for separate charges on end users' electricity bills, distinguishing between the monopolised and the competitive share of total charges.

Further provisions of the Power Exchange Code have been enacted, contributing to an improved functioning of the daily electricity market. Also, in July 2008 RAE presented the draft Distribution Network Operation Code for public consultation. The outcome of this process will feed into the ensuing RAE opinion on the establishment of the Distribution Network Operation Code.

As regards electrical **power supply**, two new units with a maximum capacity of 250 MW were put in operation between 2005 and 2008. In addition, private investors have started constructing gas powered electricity generators and additional 1200 MW are expected to enter

the market within the 2009-2010 period. A private consortium has already constructed 340MW and is considering the construction of a further 400MW, with the prospect of entering the market in 2010. Finally, the Public Power Corporation (PPC) has successfully completed a tender for the construction of a gas powered unit with a capacity of 2400MW, which is expected to be completed within 2010.

Regarding the years beyond 2010, private investors have expressed interest in power generation on the basis of a more diversified technology mix, while PPC is taking steps for replacing and modernizing its existing generating capacity. Electrical power generating capacity is expected to eliminate the current deficit and achieve adequacy by 2010.

Regarding the **gas market**, following up on Law 3428/2005 for opening up of the market, activities have focused on completing the regulatory framework and particularly, on issuing the necessary regulatory acts for the effective functioning of the market.

The establishment of the **Hellenic Gas Transmission System Operator (DESFA)** in February 2007 was a key development. DESFA is the owner and operator of the National Natural Gas System. It is a 100% subsidiary of DEPA which, for the time being, remains the sole importer and supplier of natural gas. DEPA has not yet published unbundled accounts, given the recent establishment of its subsidiary. Gas companies (EPA) are preparing for the unbundling process and unbundled accounts are expected for the year 2008.

A license is required for supplying gas to eligible and non-eligible customers, while all other activities (sales, imports/exports) are fully liberalised under the provisions of Law 3428/2005. Nevertheless, until the issuing of the Licensing Regulation, the license requirement is postponed for supplying eligible customers.

Along with the completion of the regulatory framework for the opening up of the natural gas market, important steps have been taken in the area of supply and distribution. In October 2007, DESFA completed the upgrading of the Revithoussa LNG terminal and is considering the addition of a third LNG storage tank, in order to further safeguard energy adequacy and the security of supply.

As regards urban distribution, the construction of low pressure networks is progressing at a fast pace in three urban centres (Athens, Thessaloniki, Thessaly). Construction is undertaken by gas companies (EPA) following international tenders. With the aim to increase coverage across the country, tenders for three new EPAs (in the regions of Sterea Ellada, Central Makedonia, East Makedonia and Thraki) are expected to be announced, upon receiving the relevant consent by the European Commission.

Frame 5.1 – International Interconnections

Construction of the 400 kV EHV line connecting Greece and Turkey has been completed from the Nea Santa HVT in Thraki to the Babaeski terminal in Turkey. On July 2nd, a memorandum of cooperation was signed for the exchange of 200 MW during peak seasons in the two countries.

Interconnection with FYROM has been enhanced, as a second 400 kV line was put in operation between Florina and Bitola.

The natural gas pipe line connecting Turkey, Greece and Italy was inaugurated on 18 November 2007. The pipeline is currently in operation transferring gas to Greece. Upon completion the pipeline will provide access for European markets to the gas reserves of the Caspian.

In March 2008 it was agreed that Greece undertake the initiative to prepare an intergovernmental agreement between Greece, Italy, Turkey and Azerbaijan, which will contribute to the successful completion of the Turkish-Greek-Italian gas pipe. Construction and operation of the pipeline is expected by end 2012.

On 29 April 2008, an intergovernmental agreement was signed between Greece and the Russian Federation for the construction of a gas transmission pipeline within the Greek borders, as part of the large scale “South Stream” project. This project will be transmitting natural gas from Russia to Europe via Bulgaria and Greece, while part of the transmitted quantities will be supplied to the domestic market.

In the oil sector, following up to the intergovernmental agreement between the Russian Federation, Greece and Bulgaria in of March 2007 on the construction of the Burgas-Alexandroupoli oil pipeline, an agreement was signed on 18 January 2008, establishing an International Company charged with the construction and management of the pipeline.

Furthermore, a series of international agreements were promoted on energy issues:

- A tripartite intergovernmental agreement between Greece, Turkey and Italy for the development of a natural gas transmission corridor, approved by the Greek Parliament on 22 January 2008.
- A Memorandum of Cooperation between Greece and Azerbaijan, approved by the Greek Parliament on 22 January 2008.
- An intergovernmental agreement between Greece and Romania.

5.3.5.4 Railway transport

Railway Transport has been opened up by Presidential Decree 41/2005, transposing Directives 91/440/EC and 95/18/EC. Freight transport already operates in a liberalised framework and foreign companies are starting to express interest. Passenger transport is opening up in 2011, state guarantees on railway loans will be abolished in 2010, while state aid has been abolished in the PATHEP axis.

In this context, a plan was announced in August 2008 for the restructuring of the **Hellenic Railways Organisation (OSE)**. It provides for a corporate transformation, involving the separation of TRAINOSE and merging of the remaining subsidiaries with OSE or ERGOSE, with the aim to complete the full separation of TRAINOSE by November 1st, 2008.

ERGOSE will be the single entity responsible for the maintenance of the track and supportive systems. The recent draft law submitted by the Ministry of Transport and Communication in September 2008 provides also for the establishment of two independent authorities.⁹

A Contrat de Gestion is also foreseen, clarifying the mission and obligations of each railway body (OSE and TRAINOSE), and setting the compensation for the maintenance of the infrastructure in the context of the Public Service Obligation. The contract is being prepared with the aim to have been finalised within 2009.

Furthermore, specific measures are provided for the rationalisation of debt servicing by OSE, the gradual consolidation of its budget and the development of state property, while measures are provided for strengthening monitoring mechanisms and promoting transparency.

Regarding **infrastructure projects**, the absorption of EU funds increased in recent years and in 2007 it reached € 800 mio. During the 2003-2007 period, the cumulative investment on the Greek railway amounted to approximately € 3 bn.

⁹ Details are provided in section 5.3.1.

These investments have produced tangible results:

- The suburban railway network in Attiki has been put to operation. It has operated successfully during the Olympic Games and demand is already starting to put a strain on the capacity available.
- The implementation of the suburban network in Thessaloniki has started. Operation started in 2007, while electrical powering is being completed.
- On the PATHEP axis, electrical powering has been completed also between Thessaloniki and Larissa, while it will be extended up to Domokos.
- All projects on the primary axis (distance administration, electric powering, and infrastructure) will be completed by 2013 within the last quarter of 2008.
- Also, combined freight transport is being promoted through the construction of the Thriassio Freight Station and the railway track linking it with the Container Terminal of Piraeus, N. Ikonio, aimed at relieving the road network. These projects are under construction and will be completed in 2009.

Box 5.2 – Main points of the Restructuring Plan of the Hellenic Railways Organisations (OSE)

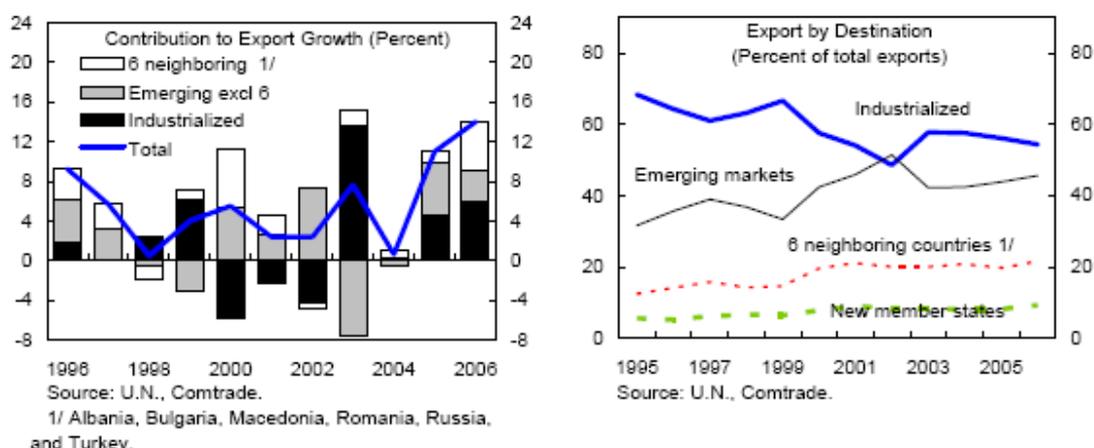
- Safety: In cooperation with French Railways
- Transparency: Unannounced inspections by YPEE for 2 years – Internal Audit Service
- New approach in debt servicing
- Rationalisation of routes – Upgrading of services
- Voluntary retirement option in order to contain expenditure
- Developing property assets
- New investment programme – Completion of PATHEP and suburban railway
- PPP – for suburban railway and new tracks
- Corporate transformation – Independent TRAINOSE – Reinforced ERGOSE
- Modern management principles – option for external managers
- Contrat de Gestion – Commitments of OSE and the State

5.4 Promoting external openness

The **increased contribution of goods exports in the annual GDP growth rate has been** a particularly significant qualitative characteristic of the recent economic growth in Greece. Whereas during the 2000-2004 period exports exhibited a steady decline from 10.5% to 8.4% of GDP, during the 2004-2007 period they recovered significantly and rose to 9.6% of GDP in 2007. Despite the adverse international juncture of high raw material prices, the euro appreciation and the economic deceleration of our main trade partners and in spite of the strikes in major ports during the first quarter of 2008, exports of goods at current prices have been rising. In the first seven months of 2008, exports rose by 3%, and excluding fuels by 5.8%, compared to 4.3% in the same period of 2007.

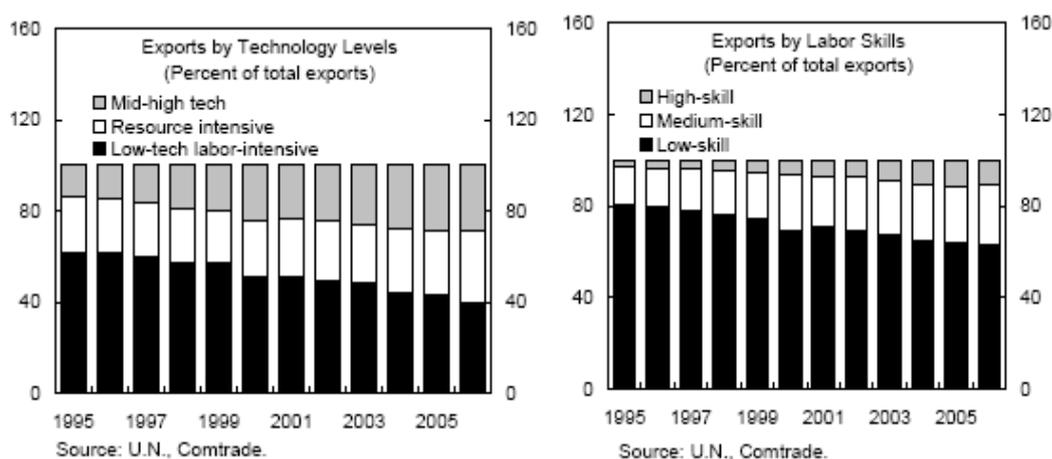
Exports in services have also picked up significantly, rising by 16.1% during the first seven months of 2008, compared to 8.6% during the same period in 2007. On an annual basis, it is estimated that exports in **goods and services** at constant prices will rise by 5% in 2008.

According to IMF data, the recent recovery of Greek exports can be attributed, to a significant extent, to the increasing **diversification in export destinations**, with greater emphasis placed on emerging economies, new EU Member States, as well as neighbouring candidate countries such as FYROM, Albania and Turkey.



Source: IMF Country Report No. 08/147, May 2008.

Furthermore, there has been a significant qualitative change in Greek exports, involving a steady **shift towards medium and high-tech products**. This trend is also verified for alternative classifications of exported goods based on the skill content of the labour input.



Source: IMF Country Report No. 08/147, May 2008.

5.4.1 Export policy

The significant pick-up in exports during 2004-2007 is partly the outcome of coordinated initiatives aimed at promoting openness and addressing legislative rigidities in export trade. These include the following:

- The Ministerial Decree on the restructuring of the **General Department of Policy Management and Planning** has been signed (a development delayed since 2002).
- The **National Export Council** was established as the coordinating institution of all bodies involved in export policy.
- The legislative regulation of issues pertaining to the **Export Credit Insurance Organisation** was approved, thus modernising the organisation's legislative framework by transposing EU legislation and introducing new insurance tools.

- A **strategic action plan** has been designed and is being implemented, in order to promote Greek products abroad. The National Export Council and the Hellenic Foreign Trade Board (HEPO) are the main instigators of the action plan..

Moreover, concrete measures were taken regarding customs issues and taxation, aimed at facilitating external trade, including specific measures for accelerating VAT refund to enterprises.

Regarding the activities of the **Hellenic Foreign Trade Board (HEPO)**, during the 2004-2007 period, promotion actions have quadrupled, with more than 400 initiatives in 55 countries. Particular emphasis is placed to the sectors of food and beverages and construction materials. It should be noted that exports in these two sectors have exhibited a positive trend during the first four months of 2008. In particular, exports of food and beverages rose by 7.2%, while exports of construction materials rose by 7.5% compared to the same period in 2007. The initiatives of HEPO for the promotion of Greek exports are focusing both on traditional and emerging markets, thereby actively contributing to the diversification of export destinations.

5.4.2 Tourism

Tourism is a crucial sector for Greece, generating approximately 16% of GDP. The Ministry of Tourism Development completed the strategic study on tourism in 2007, and started its implementation in 2008, thus, ensuring continuity in strategic planning for at least a decade. The new strategy focuses on upgrading the services provided, extending the tourist period and diversifying the tourism product by promoting alternative forms of tourism.

Despite the current international crisis and the appreciation of the euro, which do not facilitate the growth of tourism in Greece, revenue rose by 8.2% between January and May 2008, according to data provided by the Bank of Greece.

Recent institutional interventions aimed at developing and upgrading tourism include the following:

- The **Specific Framework for Land use on Tourism**¹⁰, providing general guidance, rules and specific criteria for the spatial development of tourism, including infrastructure, while also providing a realistic action plan up to 2021. It is expected to contribute to a balanced and sustainable development of tourism. Inter alia, it provides for simplified procedures for the development of infrastructure, environmental upgrading of tourist areas and expansion and diversification of the tourism product.
- The **physical planning for tourist ports** is promoted, as public tender announcements for managing authorities are proceeding.
- In the context of transposing Directive 36/2005 over the next three years, the **licensing for tourist guides** will fall under the pertinence of the Minister of Tourism Development.
- A legal settlement for the issue of **tourist facilities operating without the legal stamp issued by EOT** has been achieved. The settlement sets out a number of necessary conditions (regarding fire safety, structural integrity and waste management), providing for inspection processes and the provision of the legal stamp.
- Recording of all tourist facilities is underway. Upon completion, they will be ranked and classified according to the Greek **stars and keys standard**.
- The creation of a **tourism satellite account** is underway. This is a statistical measurement system for quantifying the economic impact of tourism.

¹⁰ Relevant information is also provided in section 5.2.3.

- The categorisation and **classification of camping sites** according to the stars system is progressing, addressing for the first time the specific issue of standards in the operation of camping sites, in a manner equivalent to other EU destinations.

Furthermore, a **Special Service for Coordination, Management and Implementation** is being established, managing all NSRF programmes on tourism.

5.4.3 Foreign Direct Investment

The Hellenic Centre for Investment (ELKE) has been restructured after 11 years of operation, in order to best meet the changing demands of investors and the economy and has been renamed “**Invest in Greece**” (IiG). In the context of the restructuring process, the new agency has been engaged in a stock-taking exercise of all issues facing prospective investors, with the aim of contributing to the simplification and improvement of existing procedures. Also, in collaboration with Local Authorities and the Regions, IiG is taking stock of all areas ready to receive manufacturing and tourism enterprises.

In addition the IiG:

- is pushing forward with the establishment of an International Investment Council, with the participation of prominent Greek entrepreneurs based abroad, with the aim to promote Greece as a location for FDI,
- is setting up a Council of Legal Experts, aiming at improving the legislative framework for FDI in Greece.

6 Employment-promoting reforms

Key employment policies for the 2008-2010 period:

- Better matching labour demand & supply
- Facilitating access to employment for all and in particular, for the young, women, older workers and vulnerable groups
- Enhancing the adaptability of workers and enterprises
- Promoting social inclusion and equal opportunities
- Combating undeclared work

Greece remains firmly focused on the priorities commonly agreed within the framework of the European Employment Strategy. Over the 2008-2010 period, more emphasis is placed on implementing the necessary labour market reforms, directly linked to the priority areas identified by the European Council, the Employment Guidelines and the 2008 Spring European Council recommendations.

6.1 Recent labour market developments

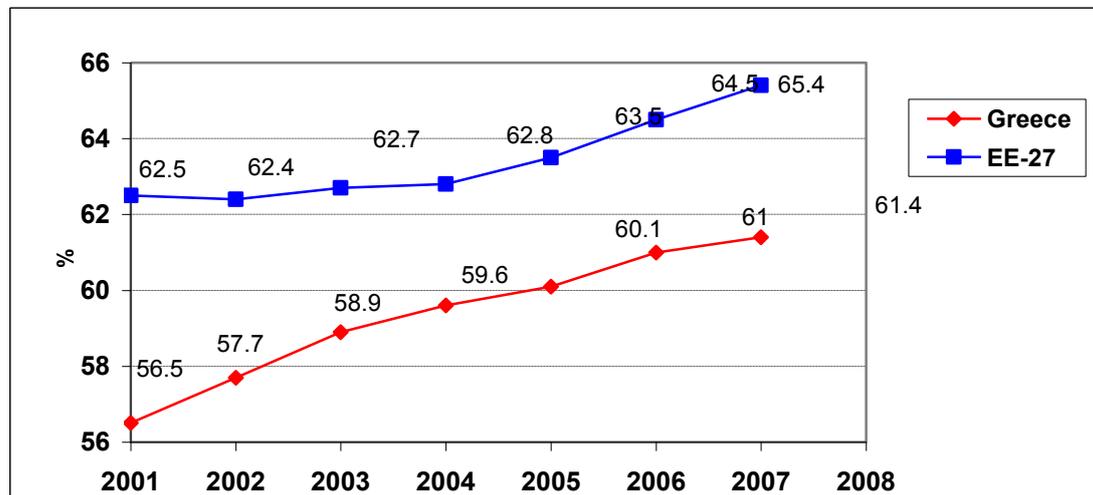
6.1.1 Labour force participation and employment

The employment rate has been steadily rising in recent years, benefiting from the reforms implemented in the context of the NRP 2005-2008. Starting from 59.4% in 2004, the employment rate increased to 61.4% in 2007, reaching 62.0% in the second quarter of 2008.

A **substantial improvement in the female employment rate** has been recorded, up from 45.2% in 2004 to 47.9% in 2007 and 49.0% in the second quarter of 2008. Despite the clear improvement, though, female employment remains below the EU average. Moreover, the gap

between female and male employment rates persists, as the **employment rate for male workers** increased from the already high level of 73.7 % in 2004, to 74.9% in 2007 and to 75.4% in the second quarter of 2008, remaining above the EU average. The employment rate for **young persons** (15-24 years) was 24.0% in 2007, while the employment rate of **older workers** (55-64 years) reached 42.4% in 2007.

Employment Rate in Greece and the EU-27



Source: LFS, National Statistical Service of Greece (NSSG)

Employment Rate by gender - Greece and EU-27

	Greece			EU-27		
	Total	Men	Women	Total	Men	Women
2004	59.6	74.0	45.5	62.8	70.2	55.4
2005	60.1	74.2	46.1	63.5	70.8	56.3
2006	61.0	74.6	47.7	64.5	71.6	57.3
2007	61.4	74.9	47.9	65.4	72.5	58.3

Source: LFS, NSSG

Youth Employment Rate by gender - Greece and EU-27

	Greece			EU-27		
	Total	Men	Women	Total	Men	Women
2004	27.4	32.9	22.0	35.7	38.5	32.8
2005	25.0	30.1	19.8	36.0	38.8	33.0
2006	24.2	29.7	18.7	36.4	39.4	33.4
2007	24.0	29.2	18.7	37.2	40.2	34.2

Source: LFS, NSSG

Employment Rate of older workers by gender - Greece and EU-27

	Greece			EU27		
	Total	Men	Women	Total	Men	Women

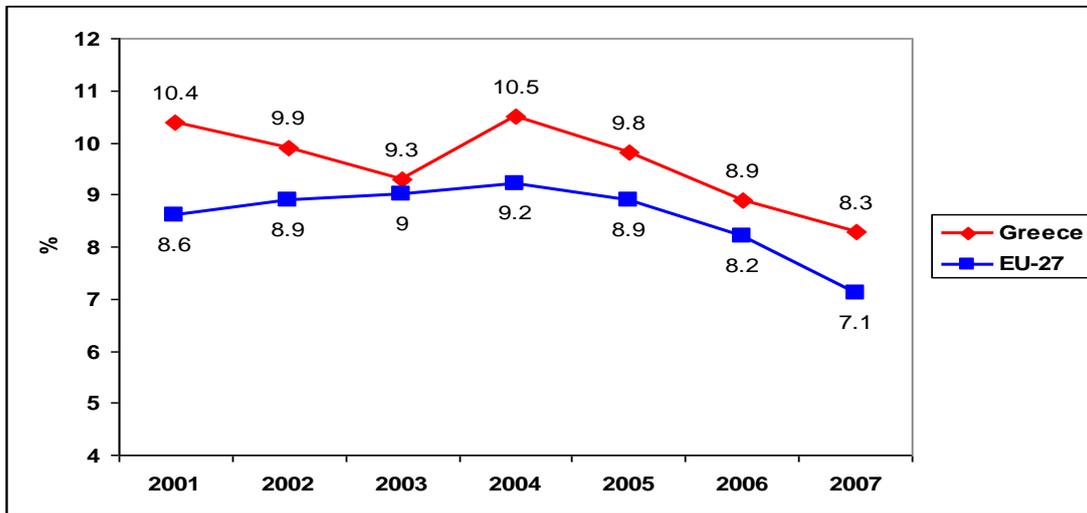
2004	39.4	56.4	24.0	40.5	50.1	31.4
2005	41.6	58.8	25.8	42.4	51.6	33.6
2006	42.3	59.2	26.6	43.5	52.7	34.9
2007	42.4	59.1	26.9	44.7	53.9	36.0

Source: LFS, NSSG

6.1.2 Unemployment

Regarding developments in unemployment, the **steady decline in the unemployment rate and the number of unemployed workers alike is worth noting**. According to the National Statistical Service of Greece (NSSG), the unemployment rate decreased from 10.5% in 2004 to 8.3% in 2007 and, according to the latest available data, remained on this downward trend in 2008, reaching 7.2% during the second quarter of the year.

Unemployment rate in Greece and EU-27



Source: LFS, NSSG

The **unemployment rate for male workers** in 2007 stood below the EU-27 average at 5.2%; however, the female unemployment rate remained above the EU-27 average, despite declining to 12.8% in 2007. There are encouraging signs of further declines in 2008, as the available data for the second quarter indicate a decrease in the male unemployment rate to 4.7% along with a significant drop in the female unemployment rate to 10.9%.

Unemployment rate by gender - Greece and EU-27

	Greece			EU-27		
	Total	Men	Women	Total	Men	Women
2004	10.5	6.3	15.9	9.2	8.6	9.9
2005	9.8	6.1	15.3	8.9	8.3	9.7
2006	8.9	5.6	13.6	8.2	7.5	8.9
2007	8.3	5.2	12.8	7.1	6.5	7.8

Source: LFS, NSSG

Developments in **youth unemployment** have been positive, with the youth unemployment rate declining to 22.9% in 2007. However, youth unemployment remains high compared both to the EU-27 average and the national total unemployment rate.

Youth unemployment rate by gender - Greece and EU-27

	Greece			EU-27		
	Total	Men	Women	Total	Men	Women
2004	26.5	18.8	35.6	18.6	18.6	18.6
2005	26.0	18.7	34.8	18.6	18.5	18.7
2006	25.2	17.7	34.7	17.3	17.0	17.7
2007	22.9	15.7	32.1	15.5	15.2	15.8

Source: LFS, NSSG

In 2007, the number of **long-term unemployed** workers was reduced by 33,000 persons compared to 2006 amounting to 210,400 and representing 51.7% of total unemployed persons.

Long - term unemployment in Greece (in % of total unemployment)

	2004	2005	2006	2007
Greece	55	54.2	56.1	51.7

Source: LFS, NSSG

A close inspection of employment and unemployment figures by gender and age group highlights the difficulties faced by young persons, women and older workers in obtaining access to and/or remaining in employment. Employment policy for the 2008-2010 period places particular emphasis on these three categories.

6.1.3 Labour productivity and wage developments.

Labour productivity growth in Greece exceeded the EU average during the 2005-2007 period. In 2007 the growth rate in real GDP per worker in Greece increased to 2.7% up from 1.7% in 2006, clearly exceeding the EU average of 1.3%.

In 2007, **real wages** increased by 3.3%, while the average annual growth in real wages during the 2005-2007 period was 3.1%. Furthermore, the wage share has increased from 34.5% in 2003 to 36.4% in 2007.

6.1.4 Flexible forms of employment

The nation-wide employment profile highlights the dominant role of the traditional full-time employment model, as well as the high incidence of self-employment. The share of **part-time employment** was 5.6% in 2007, which is well below the EU average, while the share of **temporary employment** increased slightly in 2007, reaching 10.9%. The percentage of the **self-employed** with no dependent personnel was 21.2% in 2007, compared to 10.4% in the EU-27, while the percentage of self-employed employers was 8.1%, compared to 4.5% in the EU-27. The share of dependent labour was 64.3% in 2007, compared to 83.1% for EU-27.

<i>Employment Forms in Greece</i>	Total		Men		Women	
	2006	2007	2006	2007	2006	2007
<i>Part Time work (% of total)</i>	5.7	5.6	2.9	2.7	10.2	10.1
<i>Temporary work (% of total)</i>	10.7	10.9	9.1	9.3	13.9	13.9
<i>Employed (% of total)</i>	63.6	64.3	60.7	61.3	68.0	69.0
<i>Self-employed without personnel</i>	21.6	21.2	24.6	24.2	16.9	16.2
<i>Self-employed with personnel</i>	8.1	8.1	10.6	10.6	4.1	4.2
<i>Other (% of total)</i>	6.6	6.4	3.8	3.7	10.9	10.6

Source: NSSG and Ministry of Employment and Social Protection

6.2 Assessment of policy interventions during 2005-2008

6.2.1 Modernisation of the Public Employment Services (PES) and reinforcement of ALMPs

The first three-year cycle 2005-2008 of the renewed Lisbon Strategy was marked by an extensive re-designing of **Active Labour Market Policies (ALMPs)** and intensified implementation, leading to more effective utilisation of both national and EU funds and a **growing numbers of beneficiaries**. By early 2008, a total of 147,354 unemployed persons have benefited from participating in programmes subsidizing firms for hiring unemployed workers (New Jobs), providing support to unemployed workers for starting their own business (New Professionals) and for acquiring work experience (Stage).

The revised approach towards ALMPs placed more emphasis on **targeted interventions**. Approximately 70 programmes were designed and implemented, 30 of which involve integrated interventions at the local level. Public Employment Services (OAED) programmes were designed to target specific social groups (women, the young, unemployed over 50 years old, vulnerable groups), regions (mostly in the periphery), themes (culture, natural environment, new technologies), and sectors (with emphasis on SMEs across sectors). The targeted approach aimed at maximizing the efficiency of interventions and creating the necessary conditions for beneficiaries to remain in employment. Examples include programmes for new entrants in the labour market, older workers, new scientists, large families (with three children or more) and groups threatened by social exclusion.

During the 2005-2008 period, the network of OAED employment units expanded and currently OAED operates a modern network of 121 Employment Promotion Centres (KPA). In implementing Law 3518/2006, the KPA are progressively being merged with the relevant Social Insurance Units at the regional level, in order to create **single contact points** (one-stop shops - KPA-2). The first phase of transforming KPA into single contact points has already been completed for approximately half (63) of the services in question.

Over the same period, **innovative counselling tools** were developed in the context of the individualised approach, including professional orientation counselling, job searching techniques and training / counselling for undertaking entrepreneurial activities. It should be underlined that during the course of the pilot application of job search training, 70% of the participants succeeded in finding employment within relatively short periods in non-subsidised job placements.

Moreover, e-government infrastructure is progressively being developed in OAED, through the installation of a **comprehensive information system**, aiming at improving the quality and effectiveness of services provided.

The first steps towards the new OAED “digital reality” have already been implemented:

- Thousands of enterprises participating in **job-training** programmes in 2007 are already benefiting from the new facilities for digital submission, assessment, implementation, surveillance and funding via the internet.
- Since early 2008, the updated OAED portal allows for the submission of “e-applications” for different programmes, including the subsidisation of enterprises for hiring unemployed workers and the subsidy to unemployed workers for starting their own business.
- Trainees participating in the **professional faculties of apprenticeship** of OAED are being trained in traditional and modern tasks and professions, through innovative teaching methods, based on simulation and virtual reality techniques.
- Combined with significant **simplifications in the application processes for receiving various benefits** (e.g. the reduction in the required number of supporting documents for family benefits from 17 to only 3), payment now takes place within a maximum of 8 days compared to 2 months previously. In addition, the administrative improvements in paying unemployment benefits allow payment within one day.
- A major intervention concerns the development of the **informational system for the Economic Management of OAED**. It is designed to best meet the administrative demands of the 4th Programming Period (2007-2013), inter alia, increasing transparency and allowing for shorter waiting periods in the payment of beneficiaries.
- A revised **audit system** for all programmes has been developed and is gradually being implemented. Auditors and their schedules are determined through a system of electronic random draws and audit outcomes are electronically transferred and stored in the file of the relevant programme.

6.2.2 Young persons, women, and older workers

6.2.2.1 Young persons

During the 2005-2008 period, interventions implemented for younger persons included ALMP schemes aimed at raising their employability, facilitating their integration in the labour market, helping them out of unemployment by enhancing their skills and qualifications and at smoothing the transition from education to employment.

To this end, a number of programmes have been designed and implemented, aiming at providing work experience, promoting self-employment and business start-ups, as well as subsidizing the hiring of young persons. Since 2006, OAED has also subsidised new scientists (doctors, lawyers, engineers) during the early stages of their career. Targeted initiatives subsidising enterprises for hiring unemployed young persons (younger than 30 years old) are fully available, providing increased subsidies of up to 30% for the first 5-6 months. These include also additional incentives, compensating for the relatively low productivity of young employees during the adaptation period. Between 2005 and 2008, approximately 65,000 young persons of up to 35 years of age have benefited from these OAED initiatives.

Training programmes adapted to the current needs of the labour market are expected to be completed within 2008. The expected total number of beneficiaries is estimated at 28,600 unemployed persons, of which 15,700 young persons of up to 25 years of age. Beneficiaries of training programs in the construction sector are expected to reach 7,340, of which 3,484 young persons of up to 25 years old, while participants in the training programmes on ICT are expected to reach 3,500, mainly high-school graduates and holders of University degrees in technological disciplines.

In addition, a number of apprenticeships or additional training schemes were implemented, while interlinking and networking was promoted between University career offices, OAED units, and other job placement institutions. Furthermore, pilot “business schools” were established and the European “safe start” for youth initiative was utilised. The General Secretariat of Youth established the “Entrepreneurship Observatory” and a network of entrepreneurship clusters, providing advisory support on business start-up and operation for prospective young entrepreneurs.

6.2.2.2 Women

During the 2005-2008 period, the Ministry of Employment and Social Protection in collaboration with other Ministries, social partners, Local Governments and other relevant entities, focused its actions on **supporting female employment** and promoting **equal access to the labour market**. **Reconciling family and professional life** has been a major policy priority, by improving the legislative framework, enhancing and improving available infrastructure (childcare, social care), as well as through elaborating and implementing targeted ALMPs.

Particular emphasis was placed on the development of **Social Care Units** (including kindergartens, day nurseries, Centres of Creative Employment for Children, Centres of Daily Care for Older people, Units of Social Assistance, in-house support), with approximately 1,600 units activated at a nation-wide scale. In addition, educational programmes in “**all-day schools**” for pre-school and primary education have been offered.

Targeted initiatives have been implemented for **unemployed women**, while priority was given to female participation in all OAED programmes. For instance, a quota of 60% for female participation has been applied to all interventions within the O.P. ‘Employment and Professional Training’. Moreover, OAED programmes include favourable provisions, such as increased subsidies (+25%) for mothers of minors, as well as a provision enabling women to set up their business headquarters at home, when caring for children at pre-school age or relatives with special needs.

An **integrated intervention** has been designed and implemented, in collaboration with the Research Centre for Equality Issues (KETHI) and OAED, combining support services, advisory, social and psychological support for women entering the labour market, activities for acquiring work experience, employment subsidies and start-up subsidies. The total number of beneficiaries amounted to 9,000 women – most of whom belong to groups at risk of social exclusion. 5,000 of these have successfully moved to employment. Through the “New Jobs” and “Professional Experience Acquisition” programmes of OAED 87,900 unemployed women have benefited in total. Since 2005, 132,000 women have received training, while 27,600 additional training posts are currently being developed, to be filled by the end of 2008.

The initiative “Positive action for equal opportunities in SMEs and large enterprises” is fully active. This programme aims at assisting female employees to acquire the necessary qualifications – via information sharing, counselling, training and education – in order to improve their career prospects and reconcile their family and professional lives.

In addition, KETHI implemented programmes for the “Provision of Accompanying Support Services” and the “Provision of counselling and supporting legal services” for women in eight regions throughout the country. In the course of this programme, the counselling centres of KETHI have been strengthened through the establishment of 5 additional local units.

The contribution of the National Organisation of SMEs (EOMMEX) has also supported the promotion of female entrepreneurial activity. EOMMEX finances female enterprises in all sectors and of all legal forms via full subsidies covering 100% of the relevant cost. Specific

provisions are made for women's cooperatives, women with special needs and women heading single-parent families.

6.2.2.3 Older Persons

In addition to policies promoting youth and female employment, a set of specific initiatives has been implemented, aimed at fighting the unemployment of older workers, facilitating re-employment and extending working life.

OAED currently offers programmes for older workers, aiming at facilitating employment and at allowing them to fulfil pension entitlement requirements. These programmes are available to unemployed older workers within 5 years from retirement age, needing up to 1,500 social security contribution stamps for qualifying for pension rights. The programmes provide subsidies to enterprises hiring older workers or, alternatively, directly finance outstanding social security contributions in the case of long-term unemployed. More than 2,500 old unemployed persons have benefited during the 2005-2008 period. These programmes were evaluated as particularly effective and are expected to continue in the future.

In addition, a programme has been initiated and in 2007, for a maximum number of 10,000 beneficiaries, subsidizing enterprises hiring unemployed persons aged more than 45 years old. Moreover, all OAED programmes for the unemployed, as well as the comprehensive interventions at the local level, provide for increased subsidisation for workers over 50 years old.

6.3 Employment strategy and priorities for the period 2008-2010

National employment and social cohesion policies, in the context of EU political guidelines and strategies, take into account the particularities and needs of the Greek economy and society. National policy is explicitly presented in documents like the NRP 2005-2008, the National Strategic Framework 2007-2013, the National Report on Social Protection and Social Integration and National Legislation on Growth and Development.

The reform programme implemented ensures the increase of the labour content of growth. Moreover, the reforms aim at developing the social economy and the "green economy".

The main goal is to raise employment and to guarantee equal opportunities for all, by creating more and better jobs and by improving the quality of work.

Achieving **active inclusion** depends crucially on activating the workforce and inactive persons, providing employment opportunities for vulnerable groups, improving the quality of services provided and securing a minimum acceptable standard of living. In this respect, the role of life-long learning is considered crucial and, despite existing delays, a **system of life-long learning for all** citizens is being planned regardless of their status of employment.

In this general context, a strategic '**flexicurity**' framework is gradually being developed, adapted to the needs of the national social model. Particular emphasis is placed on enhancing the effectiveness of ALMPs, fostering skills, modernising the social security system and improving employment protection, in particular for those in informal forms of employment.

The European "flexibility challenge" is met in Greece by a satisfactory national legal framework, encompassing all forms of flexible employment. However, these flexible forms of employment currently do not appear to be sufficiently attractive to either employers or employees.

The major challenge is to extend employment protection to the new forms of employment in order to make them more attractive. In the context of the national dialogue for the

modernisation of employment legislation (Green Bible) and in cooperation with the social partners, the following priorities have been identified:

- Extending employment protection to informal employment,
- clearly defining dependent labour by clarifying the “grey areas” between employed labour and self-employment,
- combating undeclared work, and
- facilitating the transition between various forms of employment and unemployment.

The major objective remains full and high quality employment for all, safeguarding working and social security rights.

For the 2008-2010 period, efforts are mainly concentrated on the following sectors:

- Facilitating access to employment for the young, women and older workers.
- Enhancing the adaptability of employees and enterprises.
- Promoting social inclusion and equal opportunities.
- Combating undeclared work.

Finally, the policies and interventions promoted by the Ministry of Employment and Social Protection during the 2008-2010 period are expected to contribute considerably to achieving the employment objectives set in the National Strategic Framework:

- Total employment rate: 65% in 2015
- Female employment rate: 52% in 2015
- Expenditure on ALMPs (as % of GDP): from 0.17% in 2006 to 0.5% in 2015.

Labour market projections (total population)

	2008*	2009**	2010**
Employment	4,546.9	4,592.3	4,638.2
<i>% change</i>	0.8	1.0	1.0
Employment (15-64)	4,460.9	4,505.5	4,550.5
Employment rate	61.7	62.1	62.5
<i>% change</i>	0.8	1.0	1.0
Unemployment	381.8	363.5	344.9
Unemployment rate	7.7	7.3	6.9

* Data for 1st semester

** Projections

Labour market projections (women)

	2008*	2009**	2010**
Employment	1,773.5	1,800.1	1,827.1
<i>% change</i>	1.5	1.5	1.5
Employment (15-64)	1,750.2	1,776.5	1,803.1
Employment rate	48.5	49.0	49.6
<i>% change</i>	1.4	1.5	1.5
Unemployment	232.7	224.1	215.3
Unemployment rate	11.6	11.1	10.5

* Data for 1st semester

** Projections

6.4 New labour market policies and measures

6.4.1 Strengthening active policies – Better matching labour supply and demand

The development of active policies for the 2008-2010 period builds on strengthening reforms and changes already enacted during the past four years. The key target is to deliver a new strategic profile for OAED, in line with international practice regarding the modernisation of Public Employment Services (PES) in other EU Member States.

The new strategy is based on three main pillars:

- The effective decentralisation of OAED at the regional level and the establishment of partnerships in order to promote employment in a long-term and sustainable manner.
- Completing the “electronic governance of OEAD”, aiming at improved effectiveness, fast and more transparent service delivery for all programmes.
- Upgrading and strengthening ALMPs.

The upgrading and unification of public services for employment and social protection, initiated in 2007, will be completed within the 2008-2010 period, resulting effectively in **single points of contact** (one-stop shops), in the tradition of the Citizens’ Service Centres (KEP), thus, **effectively decentralising OAED**.

The second stage of this reform involves the full deployment and standardised operation of the contact points and relies crucially on the full operation of the necessary IT systems, expected to be achieved by 2010. This reform constitutes an **administrative innovation**, leading to savings in time and human resources, improved delivery of services and allowing for decentralised decision making at the regional level.

The reform will allow for increased **complementarity** between passive (benefit provision) and active labour market policies facilitating the gradual shift towards the latter. Furthermore, the establishment of single contact points will allow beneficiaries to receive an appropriate mix of active and passive policies, adapted to their individual profiles, **gradually shifting the balance towards active interventions**.

In order to enhance the effectiveness of service delivery, a more client-based operation is envisaged for Employment Promotion Centres (KPA), facilitating the provision of individualised services. In addition, interlinkages between Employment and Social Protection Units and local KEP shops will be strengthened with the aim to establish approximately 1,000 additional points of contact for OAED beneficiaries (unemployed workers, employees and enterprises). Priority will be given to small and remote municipalities, replacing the existing network of correspondents.

A qualitative **upgrading of ALMPs** is envisaged, placing emphasis on improved service provision and on meeting the needs of local job markets. Increased emphasis will also be placed on social groups facing barriers in entering the labour market, and on addressing the specific issues arising in regional labour markets, by involving all local stakeholders in policy design. The establishment of links between Universities, local labour markets and business centres is also expected to play a key role. In addition, concerning employment in the agricultural sector, existing programmes will be maintained and strengthened, focusing on creating employment opportunities outside the primary sector, encouraging private initiative and promoting tourism.

The overall effectiveness of OAED will also be enhanced through the interaction of the new comprehensive IT system (OPS) with other entities and systems (social insurance institutions, TAXIS, Labour Inspectorate). The new OPS will allow for full recording and monitoring of individuals’ transition to different employment states, while **ongoing and ex-post evaluation**

will be enacted for all ALMPs schemes. In addition, it will facilitate adjustment and re-design of OAED programmes, leading to increased efficiency.

During the 2008-2010 period, the OAED portal will become fully operational, offering nearly all OAED services online (ALMPs, benefits). Since 2008, e-submission of applications for ALMP schemes has already been made available to employees and enterprises.

Moreover, the Operational Programme “Development of Human Resources 2007-2013”, provides, inter alia, for the development of an internet **portal of external matching between labour demand and supply, following the EU-EURES model**. The portal will be open to all certified agents engaged in job matching (e.g. private, public or Local Government agents, Universities etc.). Certification will ensure that a minimum set of requirements is fulfilled with respect to the nature and type of jobs they offer, which should fall within legal and generally acceptable standards. The portal will be managed by OAED with the active participation of social partners and the National Centre for Vocational Orientation (EKEP). Finally, the operation of the portal will allow all jobseekers to obtain real-time access to all available job offers across the country, while enterprises will be able to directly access the CVs of prospective employees.

Subsystems 1 and 6 of the National Council for Professional Training (ESSEKA) will be promoted via the Operational Programme of the Ministry of Employment and Social Protection, in order to further develop and implement the “**Comprehensive System for Identifying the needs of the Labour Market**” and the “**Counselling System on Life-long Learning**”.

The objective of System 1 is to constantly study, record and document human capital needs in the job market in a unique and reliable manner, as well as defining relevant jobs by sector and level of qualification and the description of the job content.

The objective of Aim 6, implemented by EKEP, is to offer counselling - professional guidance and to provide a link with the labour market for trainees or graduates in vocational training.

6.4.2 Promoting youth employment and equitable access to the labour market

During the 2008-2010 period, youth employment will be promoted through actions aiming at increasing employment opportunities and skill development. To this end, the role of systemic interventions for developing and implementing the “Network Portal for matching Demand and Supply” as well as the “Comprehensive System for Identifying the Needs of the Labour Market” and “Counselling System on Life-long Learning” are expected to be of critical importance.

In order to **facilitate labour market entry for young persons** and in response to the decisions of the European Council of March 2006, since the 2nd semester of 2008 every young person dropping out of school and entering unemployment is offered a job, apprenticeship, additional training or other employment promoting measure, within six months (to be reduced to 4 months by 2010). The objective is ensuring that all registered unemployed young persons (aged 15-24) seeking work will benefit from ALMPs.

To this end, since the 2nd semester of 2008 a wide scale action has been underway, titled “One start, one opportunity”, on the basis of the most modern counselling techniques and with the reliable support of IT infrastructure acquired by OAED. It will offer a job or, alternatively, a post of additional training to about 40,000 young persons (aged 16-25 years) annually, who are in the process of finishing or abandoning school. In addition, the programme offers the following options:

- a) Acquisition of initial professional experience with the minimum wage salary, full social insurance and medical coverage through five months of job experience in the private sector, primarily in SMEs, or with self-employed individuals.
- b) Certified acquisition of IT skills.
- c) Participation in a comprehensive counselling scheme (professional orientation, job-search and/or undertaking of business initiatives).

Moreover, particular emphasis is placed on **youth entrepreneurship**, particularly when it involves innovative IT applications. A special programme subsidizing 3,000 new professionals (NEE), aged 22-32 years, under the programme “YOUTH & BUSINESS” is already implemented in 2008. Innovative business ideas and new technologies are given priority while all young persons are envisaged to attend special seminars on business skills. Finally, networks will be developed for the diffusion of information among young entrepreneurs.

In this context, expanding and strengthening the “**Entrepreneurship Clusters**” and intensifying their interaction with the “**Entrepreneurship Observatory**” on matters such as research and promotion of creative employment is foreseen. Full geographic coverage is achieved through 80 clusters already in operation and 15 hubs of the Observatory in University Departments all over the country. The impact on youth information, training, counselling and start-up support is thus, expected to be significant.

With respect to programmes for new scientists, job-placement programmes will be set up, requiring enterprises to participate in the relevant cost, as well as initiatives promoting business start-ups. In addition, programmes for “unskilled” young persons will be promoted, combining job placement with training and counselling services.

Linking the training system with skills certification, before placing trained individuals in the corresponding job position, will be crucial for the success of the scheme. Lastly, an enhanced role is promoted for NGOs focusing on the young, in order to facilitate the development of info-centres on jobs and business attitudes as well as counselling and training networks.

6.4.3 Promoting female employment and equal access to the labour market

The underlying approach guiding interventions for the 2008-2010 period, is to **continue and intensify comprehensive active measures** addressing the problems faced by women, increasing female employment and promoting equal opportunities.

The interventions designed for the 2008-2010 period include the following:

- Job-placement subsidy schemes, in the context of targeted training for acquiring work experience, measures aimed at further reducing labour market fragmentation and the gender pay gap.
- Measures promoting female involvement in SMEs (either as entrepreneurs or as employees) and actions addressing the difficulties faced by women entrepreneurs regarding fund raising and access to credit.
- Measures supporting women heading single-parent families.
- The gradual transformation of general supporting structures into individualised actions promoting female employment and labour market participation.

In order to **reconcile family and professional life, increase employment opportunities and promote equal access to the labour market**, the Ministry of Employment and Social Protection has introduced a new legislative framework, enacted as of 26 June 2008. On the basis of the new legislation and in the context of individualised interventions, the Organisation for Labour Care (OEE), proceeded with the publication of tender calls for the

development of infrastructure, but also for the provision of childcare services for working mothers.

Priority is given to low-income employees, employees in insecure jobs, beneficiaries of ALMPs (NEE, NTHE & Stage), as well as unemployed mothers receiving unemployment benefits. Mothers eligible to place their children in care units are being selected through a screening process on the basis of economic and social criteria. Participation covers the entire cost of childcare services and the programme is estimated to be offering services to 16,000 children annually. The total cost is estimated at € 280 million until 2013, aiming at an estimated 90,000 beneficiaries.

The “**special leave for maternity protection**” (Law 3655/2008) is an important intervention implemented recently. Eligible mothers must be insured by the Fund for Private Sector Workers (IKA-ETAM), either in full-time or part-time employment, under open-term or fixed-term contracts. The leave is awarded following the expiration of the maternity leave, or equivalent, and has a maximum duration of six months. The leave period is treated as working period, e.g. for the purpose of calculating the annual leave, wage determination, redundancy compensation, etc.

During this special pay leave, OAED provides a benefit in the amount of the national minimum wage (and relevant supplementary provisions), while the duration of the leave is treated by IKA-ETAM as normal working period from a contributions point of view. These provisions are comparable with maternity protection provisions in other Member States. Throughout the duration of the leave, employers may obtain a replacement via an OAED subsidisation programme.

Also, first pillar contributions of employed women, covered by all Funds supervised by the Ministry of Employment and Social Protection, are reduced by 50% during the first 12 months following childbirth.

Additional support for female employment is expected in the future through the recognition of fictitious contribution time for every child born after 1/1/2000. This fictitious period amounts to 1 year for the first child, 2 years for the second and third, up to a maximum of 5 years. This fictitious time is fully taken into account towards qualifying for pension rights and as regards pension determination.

The long-term objective of employment policies is to increase the rate of unemployed women benefiting from ALMPs, from 17% in 2007 to 25% in 2015 and to increase the number of those benefiting from measures promoting the reconciliation of professional and family life from 8,300 in 2007 to 15,700 in 2015.

6.4.4 Active ageing policies and disincentives for early retirement

The recent **pension reform (Law 3655/2008)** provides a set of incentives for prolonging working life and discouraging early retirement. Employees in the wider public sector are given for the first time the option to postpone retirement by up to 3 years past the statutory retirement age (or beyond the required time of service). The same also applies to all private sector employees (old and new), who are offered financial incentives for postponing retirement by up to 3 years.

In order to improve employment opportunities for older workers, the upgrading of **support and labour market inclusion systems** is being promoted, **incentives** are being offered for life-long learning, training and skills development, including through information and briefing activities. Finally, innovative publicity programmes are being planned, aimed at changing attitudes and prejudice regarding the employability of older workers and against age-discrimination in general.

Furthermore, plans are underway to redesign existing processes for the provision of continued vocational training and to redefine its role in the context of a targeted approach by age and sector. In addition, targeted training programmes are planned for unemployed workers, combining skills certification with compulsory - guaranteed job placement in related fields.

6.4.5 Undeclared work

Undeclared work is a structural weakness of the labour market undermining the three fundamental objectives of full employment, quality and productivity at work and social cohesion. The ratio of the workforce occupied in the informal economy is estimated at 26% (including employees in parallel occupation and illegal workers)¹¹.

In the course of the public consultation on the Green Bible, Greece identified the need to tackle undeclared work and reduce labour market segmentation as a priority for the modernisation of employment legislation.

The first step is to determine the magnitude and the drivers of undeclared work, as a prerequisite for planning and implementing effective policies. A relevant study is currently being undertaken within the O.P. "Development of Human Resources".

In addition, the Government has already enacted and is planning a set of policy measures focusing on the provision of disincentives against undeclared work. In this context, a new legislative framework has been enacted (Law 3386/2005 and Law 3536/2007), aiming at a more efficient management of illegal migration.

The new framework provides for regional labour force surveys, allowing for a more accurate identification of local trends and facilitating the smooth integration of immigrants in local job markets, by taking stock of available jobs. Moreover, minimum pay for migrant workers is set at the national minimum wage, providing a threshold in living standards. Third country nationals legally residing in Greece have equal social insurance rights with the rest of the population and receive benefits under the general conditions set out by social security and protection legislation.

Compliance to and application of these provisions, as well as of labour legislation in general, falls within the competence of the Ministry of Employment and Social Protection (Labour Inspectorate – SEPE) and of social security organisations. Employers hiring foreign workers without residence permits face the risk of fines and incarceration, depending on the case. Also, the recent regulatory package has facilitated the renewal of residence permits for third country nationals having entered the country before 31/12/04.

Improving the efficiency of labour market inspection provides additional disincentives against undeclared work. Law 2556/97 established the **Special Inspection Service for Social Security** (EYPEA) inspecting enterprises on a 24-hours basis in order to identify uninsured workers and cases of non-compliance with employers' obligations. The social security fund for private sector wage earners IKA-ETAM, is also in the process of strengthening inspection mechanisms, in the context its ongoing modernisation programme.

A draft law in preparation by the Ministry of Employment and Social Protection will provide for the restructuring and strengthening of the Labour Inspectorate (SEPE), through additional human resources, new Managerial Units and enhanced autonomy and independence. An integrated IT System (OPS) for SEPE, currently in the final stages of implementation, will allow for:

¹¹ Research programme "Investigation of the relation between social protection and labour market", financed by the Employment Observatory, Research and IT Ltd, at 2004.

- The creation and maintenance of a reliable registry of employers, providing easy access to updated information.
- The creation and maintenance of a detailed employers' profile, containing data on their overall characteristics, thus potentially informing on their credibility.
- The application of modern cross-checking techniques and statistical analysis, 'mapping' employers and employees in order to identify sectors with increased contribution evasion.
- The use of the cross-checking analysis in order to organise on-site inspections.
- Optimal utilisation of human resources allowing for improved allocation of the available personnel to inspection mechanisms (EYPEA, audit groups etc).

Furthermore, Law 3655/2008, introduces the **Individual Social Security Number (AMKA)**, as a unique reference for employment and social security purposes, effective from 01.06.2009. The introduction of AMKA will allow for improved expenditure control in the social security system and it is expected to significantly assist employment inspection, thus contributing also in reducing contribution evasion. The Law also provides for the establishment and operation of common SEPE - IKA inspection mechanisms, further contributing to the smooth operation of the labour market.

6.5 Social Security Reform

Law 3655/2008, "Administrative and organisational reform of the Social Security System" addresses long-standing weaknesses and distortions in the Greek social security system. The acute fragmentation of the system is being decisively tackled, by consolidating Funds under a solid administrative structure, thus allowing for improved supervision, economies of scale and significant savings in administrative costs. The new law takes a long-term perspective in addressing the significant deficiencies accumulated in Social Security Organisations.

In particular:

- New Social Security Organisations are created, through the consolidation of existing Funds. As a result, the existing 133 Funds, under the supervision of the Ministry of Employment and Social Protection, are reduced to 13 new organisations.
- Insurance periods are carried over directly to the new institutions, thus significantly simplifying successive insurance.
- Statutory retirement age limits and accumulated pension rights remain unchanged, as relevant provisions will be gradually implemented after 01/01/2013.

In addition, Article 144, paragraph 1, stipulates that the current eligibility age limit (55 years) for full pension concerning mothers of minors insured in IKA is maintained, while for the first time, full pension rights can be obtained by mothers of minors from the age of 50, provided that the requirement regarding contribution period is fulfilled. In addition, no change is foreseen in the general qualifications for pension rights (37 years of contributions with no age prerequisite) for all social insurance regimes. Pension entitlement with 3,500 working days accumulated in similar Funds and 65 years of age, remains in effect until 31/12/2009.

General (statutory) age limits for IKA-ETAM are not altered. The age requirement, combined with the requirement regarding the length of the contribution period (4,500 working days) is considered favourable, considering also the potential period of fictitious employment (subsidy schemes while unemployed or in sickness, military service, etc).

In addition, **pensions** in general and minimum pensions for IKA-ETAM, ETEAM, as well as for the special Funds for primary and auxiliary social security will be **adjusted** and reassessed on **an annual basis**, in the framework of incomes policy, in order to safeguard pensioners' real income.

Finally, an Insurance Fund for Inter-generational Solidarity (AKAGE) has been established, in order to safeguard future pension payments and to address the macroeconomic impact of ageing. AKAGE will accumulate reserves in order to finance pension payments of Social Security Funds for the years beyond 01.01.2019.

Starting 01.01.2009, AKAGE will be funded by:

- 10% of annual total privatisation revenue,
- 4% of the annual VAT revenue,
- 10% of total annual receipts from special social resources of Social Insurance Funds, branches or accounts, as described in article 150 in Law 3655/2008.

7 Reforms in education

Main policy directions in the area of education

- Development of ICT and Broadband access in education
- Co-operation between the educational system and the business sector of the economy – further implementation of the ESSEEKA law
- Promotion of student mobility
- Support of Life-long Learning

7.1 Recent developments in education

In Greece, public expenditure for education amounts to 3.98% of GDP, the largest part of which is devoted to tertiary education. However, Greece is among the countries in the EU with relatively low private expenditure levels for education and training. Regarding the latter,, all European Union member states do not exceed the 1% threshold as a ratio to GDP (EU average is 0.63% of GDP), whereas in Greece it reaches only 0.25% of GDP.

Referring to enterprises, the share of continuous vocational training to total labour cost is 2.3% in EU-25, while in Greece it amounts to 0.6%.

At the same time, birth rates in Greece remain on a declining trend, which is reflected on the substantial reduction of the participation rate of the two most productive age groups for the educational system (0-14 years old and 15-19 years old) to the total population. As a result of dramatic reduction of birth rates, a constantly rising demographic deficit is recorded in the educational system. This deficit is reflected on the reduction of the school age population and, furthermore, on the reduction of the number of actual students in primary and secondary level education.

On the other hand, it is worth noting that, due to the increase in the number of immigrants' children, a gradual change is documented in the composition of the pupil population in Greece, resulting in an increasing number of multicultural schools. It is obvious that the demographic deficit and the consequent reduction of the school age population, as well as the increasing differentiation among pupils are among the new challenges that the Greek educational system has to face.

Referring to the pupil to teacher ratio, in Greece there has been a reduction from 11.2 in 2000 to 9.2:1 in 2006, whereas in the same year the EU-25 average ratio was 13.7:1. This reduction is the result of both the decrease in the number of pupils and an increase in the number of teachers.

Regarding the graduation ratio in secondary level education in Greece, it amounts to 82.1% (on the total of 18-24 year olds) very close to the reference EU ratio (85%) and exceeding the equivalent EU-25 average ratio (77.3%). In Greece, as in almost all European countries, this graduation ratio is higher for women than for men. Furthermore, considerable progress has been recorded in the reduction of the drop-out rate (18 to 24 year olds); in Greece, this rate amounts to 14.7% based on 2007 figures, a percentage which is marginally lower compared to the EU-25 average (around 15%).

Finally, referring to adult illiteracy, as a result of the increasing participation of adults in the educational programmes at all levels, there is a gradual reduction in the number of illiterate people in Greece.

7.2 Policy priorities in education

Based on the necessity to continuously modernise and improve the quality of the educational and training systems, the national strategy for education is based primarily on the following five pillars:

1. **Human-rights centred education:** support or/and rehabilitation of persons with disabilities and socially vulnerable groups (such as Roma, repatriates etc).
2. **Environmental education for sustainable development:** promotion of ecological and environmental education.
3. **Digital convergence:** reduction of digital illiteracy, equal access, application of tele-education.
4. **Multilinguism, language learning, diffusion of the Greek language:** strengthening of foreign language teaching, introduction and accreditation of foreign language teaching in schools, establishment of Greek schools in the Balkans in conjunction to an outward-oriented policy for the attraction of foreign students (International University of Thessaloniki).
5. **Connection of education to culture:** strengthening and bringing up to date our cultural heritage and the Olympic values within the educational system.

7.3 Progress of current interventions

During the 2005-2008 period, a series of measures was implemented for the reform of education at all levels.

Regarding pre-school and primary level education, the participation of 5-year olds in primary education was legislated as compulsory, by law 3518/2006, thus expanding compulsory education to 10 years. Moreover, “Diagnosis, Assessment and Support Centres (KDAY)” were developed in order to actively support personnel in order to face specific needs while the “Departments for Special Education” and other specialised departments operating alongside mainstream kindergartens have been strengthened.

In order to support the educational and cultural level of pupils, as well as to prevent drop-out, social exclusion and inequalities in secondary level education, the Additional Instruction Programme was established in General Lyceums. This programme is optional for all students regardless of their performance (up to 35% of students per class and per course).

Within the framework of tertiary education, the development and operation of life-long learning and training institutes within the higher education institutions, aims at providing accredited training programmes (Law 3369/2005).

Moreover, as a result of the implementation of Law 3549/2007 “Reform of the institutional framework regarding the structure and function of the Higher Education Institutions”, these

institutions have submitted four-year academic/development plans. This practice is expected to contribute to the improvement of academic and research output, to strengthen their autonomy and accountability and to promote their links to the business sector.

Box 7.1. –Expenditure on Education

Greece is striving to increase the level of public expenditure to all levels of education and training. Public expenditure for the 2004-2007 period increased by 26.8%.

More specifically, concerning tertiary education increased state spending can be broken down as follows:

1. A 3% increase compared to 2007 in the public expenditure for university operational expenditure, i.e., € 240 mio for 2008.
2. Public expenditure for textbooks has increased by 2.3% in relation to 2007 reaching € 40.8 mio in 2008.
3. Public expenditure for university student benefits has increased by 4.3% compared to 2007, amounting to € 29.8 mio in 2008.

Furthermore, the following are worth mentioning:

- Greece, along five other Member States, does not impose tuition fees to University students.
- Greece displays the highest percentage of public subsidisation for Higher Education Institutes, at more than 98% (compared to 82.8% in EU-25). At the same time, household contributions are virtually non-existent – less than 1% - compared to the EU-25 level of 1.5%. Regarding the indicators of annual expenditure per student as a ratio to GDP, it must be underlined that the indicators cover all registered students - including inactive ones.

As far as initial vocational training is concerned, it should be noted that in the past a considerable decline in the number of students in Technical Vocational Educational Schools (TEE) has been recorded. This reduction contributed to the gradual decline in the quality of study programmes and in the limited accession of TEE students into tertiary level education. In order for this problem to be tackled, the entire structure of technical/vocational education has been reformed, by law 3475/2006, which established the platform for enhanced co-operation among all educational entities and related institutions. This reform allowed for the creation of two new types of establishments of vocational training, namely Vocational Lyceums (EPAL) and Vocational Schools (EPAS).

The impact of these reforms can only be assessed after a relatively long period has elapsed, so as to be able to draw definite conclusions regarding their degree of success. Nonetheless, the fact that the implementation of these measures is gradual (meaning that the old types of vocational institutions (TEE) were operating along the newly established ones up until this past academic year 2007-2008) should not be overlooked.

Even though, due to the aforementioned reasons, the new measures have not been implemented for the period required to bear yield fruit, a gradual increase in the number of students who opt for initial vocational training can already be observed. This tendency has led to a decrease in student dropouts in secondary technical/vocational education, from -15.36% in 2006-2007 period to -0.77% in 2007-2008 period). The above mentioned trend is expected to guarantee an overall positive outcome on the participation of students in vocational training which will be further strengthened when new EPAL and EPAS institutions are more widely known. The technical training specialisations offered by Vocational Schools (EPAS) are

being streamlined and updated in the past few years, in accordance with trends in demand for professional qualifications and the potential of specific specialisations in the labour market.

During the 2005-2008 period, access to vocational training was facilitated for a considerable number of unemployed and employed persons through the implementation of a series of vocational training programmes. In total, during the 2005-2007 period, 182,297 people (of which 80,892 men and 101,405 women) benefited from these training programmes. Of those, 42,700 people were unemployed (21,622 men and 21,078 women) and 139,597 were employed (59,270 men, 80,327 women). Apart from these training programmes, the procedures strengthening the accreditation of institutes, trainers and professional curricula have been finalised.

In particular, the Trainers' Accreditation System for Adults was strengthened. This system, includes a series of methods, procedures and actions aiming at supporting and extending the Preliminary Trainers' Registry, at establishing a Trainers' Accreditation System and a Registry of Certified Trainers. The accreditation of 260 trainers is already complete, while 9,146 additional trainers who have successfully completed the Training Programme for Adults are in the process of acquiring certification. Up until the end of March 2008 a total of 7,673 Trainers had already been certified.

Finally, the upcoming approval of the draft bill "Special education for providing equal opportunities to people with disabilities and special educational needs" is expected to contribute substantially to securing equal access for all to education and the labour market.

7.4 New measures and policies in education

7.4.1 Primary and secondary level education

During the 2008-2010 period, at primary and secondary level education, a number of measures will be implemented regarding the restructuring of study programmes and the adjustment of the curricula on the basis of the rapid social, technological, etc. developments, the compilation of new teaching materials, the training of teachers and the application of an evaluation procedure concerning the educational output.

More specifically, regarding primary level education, the following are worth mentioning: (a) all-day schools are expected to be more widely available, (b) the Cross Thematic Curriculum Framework of Educational Programmes (DEPPS) will materialise, as well as the practice of the "Flexible Zone", aiming at promoting an inter-disciplinary approach of the educational process through methodologies of experience and participation. In addition, Multicultural Education Schools will be strengthened, while at the same time, attendance at regular schools is made possible for Roma children. They will be given a special student card, which circumvents the customary registration procedure in case their families suddenly move. Moreover, the support mechanism for repatriated and foreign pupils, which includes Reception Classes and Supplementary Teaching Support, will be enhanced and the operation of schools for minorities (for educating Muslim children in Thraki) will be further supported. Overall, the objective is to implement measures aiming at safeguarding equal opportunities in education for all pupils, as well as at supporting pupils with particular educational needs. Policies underway focus on the production of teaching material, on the training of teachers, on raising awareness in the educational community and society at large, and on supplementary teaching. The budget for repatriated and foreign pupils at the primary level of education amounts to € 7 mio, while at the secondary level it amounts to € 3 million.

Regarding Information and Communication Technologies (ICT) in education, the provision of laptops is envisaged (in 2009) for students while at the same time teachers will be trained on the use of new technologies. Students will also have the opportunity to be accredited in the use of ICT. The upgrade of the Greek Student Network, through which 99% of primary and

secondary schools will connect with the Internet, is proceeding rapidly. It is estimated that the percentage of schools which will have been transferred to high speed broadband connections could reach up to 93% by the end of 2008, depending on the speed of the metropolitan network installations by the municipalities. Moreover, the Student Portal, which provides students with access to educational, recreational and informational material and the electronic magazine “e-Emphasis” are both being upgraded, while the initiatives “Pleiades” and “Amaltheia” aiming at the distribution of educational software to primary and secondary level schools are almost complete.

In line with the targets set by UNESCO, the United Nations (UN) and other organisations, new educational initiatives are being elaborated upon in Greece for the 2005-2014 period aiming at bringing up active citizens and at opening up schools to society. In view of the UN Decade of Education for Sustainable Development 2005-2014, during the respective academic years the three pillars Environment-Health-Culture will be highlighted. Teacher training focusing on environmental issues has been initiated since 2006. It is organised into five distinct levels of expertise under the auspices of Higher Education Institutions. At the same time, the proposals for the production of relevant educational material are evaluated in the context of the O. P. “Education and Initial Vocational Training”.

The development of an evaluation framework at secondary level education has progressed considerably. Along with the existing legal framework (Laws 2525/1997, 2986/2002, 3369/2005 and Ministerial Decree 86/2001), the Ministry of Education is currently working on the institutional framework for the National Centre for Continuous Training for Teachers and Professors which will integrate all relevant programmes. In parallel, this framework will also incorporate and further support all the actions referring to the evaluation of the teaching process. This way it is expected to contribute to the wider acceptance of the perception of evaluation at the school environment

Along these lines, it should be noted that the Pedagogical Institute has recently initiated the implementation of the project “Evaluation of the qualitative features of primary and secondary education” (March – June 2007) with the objective of establishing a framework for monitoring progress within the educational system and for improving the quality of education.

7.4.2 Higher education

Regarding the reform of higher education, the following two legislative initiatives are worth mentioning: (a) Law 3653/2008 on the “Institutional framework for research and technology”, which harmonises domestic practices with corresponding practices in Europe, and (b) Law 3685/2008 on the “Institutional framework for post-graduate studies”, which ensures convergence to the European standards in the field.

In addition, the following should be mentioned as well:

- Joint postgraduate programmes, between Greek and foreign universities which strengthen the outward orientation of tertiary education in Greece.
- The completion of the academic titles accreditation system restructuring.
- The on-going implementation of internal and external evaluation of tertiary education departments. Indicatively, in September 2008, 145 departments were involved in the internal evaluation procedure, compared to 47 departments being evaluated in November 2007.
- The operation of the International University of Greece. The plans for the construction of the new building of the University have been approved and it will be constructed through PPPs with a budget of € 255 mio.
- The approval of the new law on the operation of Colleges and Free Study Centres (Law 3696/2008) which stipulates that these institutions fall under the supervision of the

Ministry of Education and, therefore, will have to comply with specific standards regarding their operation; also they will be evaluated for the quality of their academic output.

Regarding ICT in tertiary education, during the 2008-2010 period the subsidisation programme to students in order to buy laptops will continue, as well as the successful initiative “DIODOS” providing subsidies for the preferential treatment of students, so as to obtain fast Internet connections. Moreover, in June 2008 a new initiative for the education and accreditation of students in the use of new technologies and digital applications has begun, expected to have been completed by November 2008.

7.4.3 Initial vocational training and life-long learning

Regarding initial vocational training, in the 2008-2010 period, the development of the initiatives which are already underway will continue. More specifically, new and innovative teaching methods, developed on the basis of simulation systems and virtual reality, are being developed and gradually introduced into vocational training programmes. Moreover, initiatives which place the technical training offered by OAED at the forefront of professional education in Greece are further developed, including the development of digital school libraries and virtual workshops etc. The aim is to strengthen the employability of young persons and to stimulate their entrepreneurial spirit.

As far as the planning, development, standardisation and accreditation of specialised programmes of Continuous Vocational Training (SEK) are concerned, the legislative framework is already in place while the accreditation of the contents of these vocational programmes is currently underway by the National Accreditation Centre (EKEPIS) in co-operation with social partners. By September 2008, the accreditation of 27 vocational programmes had been complete while, it was expected that the 28 remaining would have accredited before the end of October 2008. During the 2008-2010 period, the restructuring of the institutional framework of the Accreditation System for Vocational Training programmes is envisaged, along with the development and accreditation of new programmes which will be chosen through public consultation involving all relevant stakeholders (it is expected that a total of 135 new programmes will be developed in addition to existing ones by 2015).

For the promotion of SEK programmes, particularly in the small and very small enterprises, which constitute the majority of enterprises in the Greek economy (96% of the total), a special structure was deemed necessary. This task has been assigned to “Vocational Training S.A.” which has been placed under the supervision of the Ministry of Employment and Social Protection. The approach used by this entity is customer-oriented, aiming at upgrading and efficiently managing the human resources of SMEs, as well as modernising their operational environment, thus enhancing their competitiveness. To this end, initiatives facilitating enterprises, and in particular SMEs, to upgrade both general and special skills of their employees are envisaged, through modern specialisation and training methods, the development of specialised educational tools and the accreditation of knowledge and training acquired. Moreover, initiatives targeted at SMEs, employees and self-employed persons will be promoted, in order to facilitate access to programmes of specialisation and training offered by external vocational training centres.

At the same time, the role and procedures of continuous vocational training for the unemployed will be redefined targeting specific age groups and sectors. More specifically, in the sectors of agriculture and tourism, the vocational training programmes will continue to be implemented and will be further upgraded. These programmes are funded by Ministries involved, the European Agricultural Fund for Rural Development (EAFRD), the European Social Fund (ESF) and the O. P. “Competitiveness and Entrepreneurship”. In particular, the latter will fund training and educational actions in the area of tourism with € 56.4 mio during the 2007-2013 period. The implementation of training programmes for the unemployed is also

envisaged, leading to the accreditation of knowledge and skills obtained and the development of compulsory programmes, which guarantee employment.

Regarding the promotion of life-long learning, the procedures for the implementation of Law 3369/2005 are particularly important. For this reason, the National Committee for Life-long Learning has intensified its efforts, in order to safeguard the implementation of the entire spectrum of provisions of this legislation. In order to reach this goal, a joint ministerial decree has been issued for the operation of the Institute for Life-long Learning as well as a ministerial decision for the selection criteria of applicants to life-long learning courses and for the operation of the relevant working group. Moreover, a joint action plan for the link of initial vocational training to life-long learning has been issued in the context of cooperation of the Ministry of Education with the Ministry of Employment. Finally, a council of experts has been established, in order to support the work of the National Committee for Life-long Learning.

The improvement of target-setting and effectiveness of vocational training programmes as a channel of life-long learning will be based on interventions implemented after the development and operation of ESSEEKA and all of its six Systems. Indicatively, these initiatives of ESSEEKA will pertain, among others, to the development of an integrated system of analysis regarding the labour market needs and the development of a system of vocational training programmes leading to knowledge/skills accreditation. At the same time, a link will be established to the assessment of institutions offering programmes of continuous vocational training and the potential increase in the number of institutions, which can be accredited for providing such programmes.

Aiming at the full activation of ESSEEKA, a series of actions have been completed or are currently underway. For instance, sub-systems 1 and 6 of ESSEEKA for the development and implementation of “An Integrated System for the analysis of the labour market needs” and “An Advisory System within the framework of Life-long Learning” are being developed within the framework of the O.P. “Human Resources Development”. It should also be noted that a new Chairman of ESSEEKA was recently appointed and the relevant Committee has approved the qualification requirements for the board members of its Management Team. Moreover, the relevant call for tender has been published and is expected that all the vacant positions will have been covered before the end of 2008. At the same time, a contract was signed with the ESSEEKA Implementation Consultant who has already submitted the first set of deliverables. This technical consultant offers expert assistance to the Committee of ESSEEKA for the activation of the Coordinating Committees of its six systems. The development of medium-term programmes and action plans for the operation of ESSEEKA and its Coordinating Committees is already underway.

7.4.4 Mobility in education

The national educational system is founded on the basis of vertical and horizontal interconnection and mobility, as far as the student population is concerned. Within this context, there is unrestricted access from the compulsory education (lower secondary level) to the upper general and vocational secondary education (General Lyceum, Professional Lyceum, Professional School) and to the higher education (tertiary level).

More specifically, in order to boost mobility, the Ministry of Education is currently bringing forth legislation offering students in vocational lyceums (EPAL) the opportunity to access Higher Technological Educational Institutions (ATEI) through a prerequisite examination in only 4 courses (compared to 6 or 7 for the General Lyceums students).

Mobility opportunities for students by educational institution are the following:

EPAL graduates

- Obtain a professional license
- Access to Tertiary Education on the basis of entry exams (subject to terms and conditions of article 7, Law 3475/2006)
- Register to Technical Vocational Institutions (IEK) on a priority basis, to departments of a specialisation compatible with their degree.

EPAS graduates

- Obtain a professional licence (level 3)
- Enrol in the second class of EPAL
- Register in a Technical Vocational Institutions (IEK) on a compatible specialisation
- Register in the second class of a General Lyceum

General Lyceum graduates

- Access to higher education through entry exams
- Register in programmes of post-secondary but non-higher education (IEK)
- Register in the EPAS

The graduates of all these institutions have access to all programmes offered in the context of Life-long Learning by the accredited entities.

Moreover, within the new institutional framework regulating post-graduate studies (the new law on post graduate studies) the Higher Technological Educational Institutions (ATEI) can start their own post-graduate study programmes, facilitating the mobility of their students towards higher educational levels.

In addition, on the basis of a law brought forth by the Ministry of Education, the Hellenic National Academic Recognition Information Centre (DOATAP) has been reformed aiming at accelerating the procedures relating to the certification of foreign academic titles by establishing new automated processes. In parallel, the International University of Greece currently offers upgraded higher education services to Greek and foreign students fostering, in its turn, international student mobility. The first study programme is already underway (spring semester 2008) whereas two more post graduate programmes are available to new applicants (MSc in Business Administration and MSC in Banking and Finance) in the fall semester of 2008.

On the basis of Law 3369/2005 (“Systematisation of Life-long Learning”) the Second Chance Schools have been fully embedded in the new operational framework of life-long learning. In more concrete terms, the study certificate awarded by these schools offers multiple access options, such as to Centres for the Education of Adults, Schools for Parents and Centre of Distance Life-long Learning for Adults. Within this framework, the new strategy for life-long learning tackles the bottlenecks and facilitates the open access to education and training structures. Finally, in the context of the new O. P. “Education and Life-long Learning 2007-2013” there is a special provision for the strengthening of secondary and tertiary level student mobility (special targets 1.1, 2.1, 3.1). This programme aims at removing the barriers throughout the whole educational structure and at introducing the necessary flexibility (horizontal and vertical), to all levels. The entire set of measures is geared towards boosting mobility through the recognition of study credits (ECTS) and facilitating the certification of the degree obtained and resulting professional rights.

7.4.5 Modernisation of educational management

For the modernisation of management in the area of education the following initiatives are currently underway:

- e-school: a model integrated system of interaction between the teaching community and the citizens offered by the primary and secondary level education Directorates. It includes digital education and management information services. This system, can be accessed by all the interested parties involved in education (parents, teachers, suppliers etc.).
- e-data Centre: initiative for the whole spectrum of digital information services, involving primary and secondary education administrative issues, which promotes the development of a modern integrated central information system at the Ministry of Education. It aims at upgrading infrastructure and providing advanced services for education.
- Information-Technology educational systems. The target is to develop new information systems/platforms for personnel selection, human resources management and student population management, management of school units etc. More specifically, these systems include:
 - An Information System for the management of applications and the evaluation of administrative staff.
 - An Information System for recording the student population and the teaching personnel of the Ministry of Education.
 - A Secretarial Programme for schools.
 - An Integrated Management System for the personnel in the Primary and Secondary Educational levels.
 - A Payroll System for the Ministry of Education through the “DIAS” Interbanking Payment System.
 - A Management System for distributing educational material to schools.
- Public Information Centres. Action for the electronic interconnection of 100 Public Information Centres (in 45 public libraries, 29 municipal libraries and 28 mobile units known as “Library cars”). The Public Information Centres offer internet access to citizens for information and entertainment purposes, along with educational value-added services in remote and inaccessible geographical regions.

8 Environment and energy policies ¹²

Main policies in the area of the environment:

- Intensification of urban waste recycling
- Energy saving
- Investment in Renewable Energy Sources
- Upgrading and expansion of the public transport network

¹² The positions of Greenpeace regarding NRP 2008-2010 in general and its environmental aspect in particular are available online at:

<http://www.greenpeace.org/raw/content/greece/gp-comments-on-NPR2008-2010.pdf>

8.1 Current developments and challenges in the area of the environment

Regarding air pollution, the most serious problems are identified in major urban centres of the country as well as in lignite energy production areas. Air pollution problems are also present, in certain industrial areas.

Over the past decade, particular emphasis has been placed on the construction of transport infrastructure and the disposal of municipal solid waste, more specifically through the construction of landfills. Nevertheless, an integrated mechanism for managing landfills has not yet been established, while there is a lack of provisions regarding the management and disposal of industrial and hazardous waste.

Regarding urban waste water treatment, it should be emphasised that great progress has been recorded in recent years with respect to the construction of waste water treatment plants (WWTP) and sewage networks. The coverage of the population by settlements for which waste water treatment plants installations and sewage networks are required (of A & B priority) amounts to 95.2%. The rest of the population, is expected to obtain access to WWTPs and sewage networks when projects realised within the NSRF 2007-2013 are completed.

The quality of water resources remains at a satisfactory level. Moreover, the overall index of consumption relative to available stocks is in general at acceptable levels; however, significant divergences are recorded between the regions of the country (with increased demand in tourist areas and urban centres). Problems in water resources management are manifested mainly in the most vulnerable regions in terms of water balance and environmental pressures (e.g. islands, coastal areas, areas of intense agricultural development). As can be expected, geographic areas characterised by high water availability do not coincide with areas of increased demand.

In Greece during the past decade, energy consumption has increased at high rates, particularly as a result of increased energy utilisation in buildings and transport. In addition, production processes continue to require relatively high levels of energy due to the limited application of energy saving practices. Moreover, in Greece limited progress has been recorded (ranking below the EU average) regarding greenhouse gas emissions (more particularly carbon dioxide emissions) as a result of the extensive use of fossil fuels for the production of electricity.

Regarding the energy intensity of the economy, currently Greece is characterised by a higher intensity (250 kgr per GDP unit) compared to the EU average (210 kgr for EU-25), despite a slight decrease in recent years. Total gross electricity production in Greece reached 60,020 GWh in 2005, of which 59.2% from the use of solid fuels, 15.3% from liquid fuels, 13.6% from natural gas, 9.35% on hydroelectric plants, 2.1% from wind plants and 0.37% from biomass and waste. According to estimates, in 2010 demand for electricity will rise to 71,546 GWh.

8.2 Air pollution and reduction of greenhouse gas (GHG) emissions

In order to deal with air pollution, particularly in Athens, public transport was significantly improved through the creation of an integrated management and traffic control system and through the modernisation of the fleet. More specifically, the **tram is being upgraded** and extended to reach Piraeus while new, **anti-pollution technology** (EURO IV and V) diesel busses, **compressed natural gas busses** (CNG), as well as new, modern electric buses with **accumulators** are being bought. Furthermore, the lines of buses and electric buses are being re-designed in order to be combined with the metro lines. The fleet of public passenger vehicles of public use (taxis), has also been upgraded, owing to a **review of «age» limits** and the provision of **financial incentives**. Financial incentives are also currently provided for the

withdrawal of old technology motorcycles and for acquiring private-use hybrid technology automobiles.

Moreover, the modernisation of the **railway road network**, which is partly funded by the CSF, continues rapidly throughout the country. Already in November this year a double railway line of high velocity, powered by electricity and remotely steered, will be operating in the section Domokos–Thessaloniki of the PATHEP (the Patra–Athens–Thessaloniki–Eidomeni–Promahonas) railway line. The rest of the line, is expected to be completed by 2013. Since August 2008, the Suburban railway of Thessaloniki (Thessaloniki –Larissa) has started operating on electricity, while in approximately a year the Suburban railway of Athens (Airport – Xilokastro) will also be operating using electricity. This will further contribute to the reduction of air pollution, attributed to means of transport, in the two largest metropolitan centres.

The **penetration of natural gas** in electricity production is progressing at a satisfactory pace, while the penetration of natural gas in transport is also satisfactory.

In order to deal with air pollution, various issues related to the use of oil have been streamlined, including the control systems of central heating, combustion plants, and fuel quality (from storage to handling), as well as the exhaust emission and technical control systems of vehicles, including motorcycles. Hiring high quality personnel for the **Special Unit of Environmental Inspectors** (EYEP) in the Hellenic Ministry for the Environment, Physical Planning & Public Works (YPEHODE) is soon to be completed, in order to ensure compliance with environmental legislation and to promote the effective protection of the environment.

The Hellenic Ministry of Rural Development & Food supports the implementation of organic farming and livestock and has proceeded to the **afforestation of agricultural land and to rebuilding the national forest capital**. The Ministry, has also planned actions aimed at reducing nitrate pollution of agricultural origin, thus contributing to the reduction of GHG emissions. Moreover, a series of agricultural – environment-friendly measures, for the protection of water and soil resources, as well as for the preservation of rural landscape and biodiversity are being implemented, thereby also contributing to the reduction of GHG emissions. These measures will be continued during the next Programming Period 2007-2013, in order to further promote the target of air pollution reduction.

Additional measures for the 2008-2010 period:

- **The extension of the existing lines of the Athens METRO** through creating 17 new stations by 2012. The **completion of the METRO in the residential complex of Thessaloniki** by 2012 and its future expansion towards Kalamaria are envisaged. The extension of the electric railway to reach the National Highway by 2013 and of the tram lines to reach Piraeus by 2010.
- Implementation of the **National Action Plan against Air Pollution** by the Ministry for the Environment, Physical Planning and Public Works in cooperation with specialised scientists. The plan envisages various environmental measures to be implemented after public consultation with all relevant bodies and with other pertinent Ministries.
- The **2nd National GHG Emissions Rights Allocation Plan** for the 2008-2012 period, which provides for significant emissions reductions from participating establishments, was submitted to the European Commission on September 1st, 2006 and was revised on the basis of a further reduction by 8.5% as required by the European Commission with its decision issued in November 2006. After final approval by the EC, a Joint Ministerial Decision will be issued to that effect, in line with national legislation.

- Implementation of the obligations of the **Vienna Convention**, the **Montreal Protocol and Regulation 2037/2000/EC**, through the implementation of a programme for replacing substances which deplete the ozone layer.
- Financing projects aiming at addressing the issue of climate change, including teleheating and the exploitation of Renewable Energy Sources, within the context of the operational programme «**Environment and Sustainable Development 2007-2013**».
- Establishment of a **Standing Committee on Green Transport**, at the Ministry of Transport for assessing the potential for upgrading Public Transport and for improving the existing fleet of vehicles. Among others, the Committee promotes the expansion of railway, subway and tram lines, the expansion of exclusive bus lanes and the creation of bicycle lanes the procurement of “clean” vehicles of the latest technology for the bus fleet and the application of telematics in Athens. The «emissions control card», intended to cover all vehicles is also being promoted, while it is expected that soon natural gas will be available in conventional service stations.

8.3 Waste management

EU legislation on waste management, has been entirely transposed in national legislation. The **National Planning on Non-Hazardous Waste Management** has been in force since the end of 2003 and is being implemented at the regional level with the aid of Regional Waste Management Planning (PSDA). Today, 54% of the country is covered by municipal solid waste safe disposal units, while the remaining safe disposal units expected to be completed by the end of 2008 will result to an estimated 94% of waste disposal coverage. The completion of all remaining projects required, in order to achieve a 100% country coverage is integrated in the 2007 – 2013 NSRF. A detailed record of all Uncontrolled Waste Disposal Areas (HADA) has been created, while a programme aiming at their environmental restoration is being implemented.

The recycling of household waste, namely packaging, printed material, electrical waste and electronic equipment, organic parts from screening installations as well as batteries, amounted to 24% in 2007 (up from only 6% in 2004). Recycling of household and other waste brought an annual reduction to its volume estimated at 5 million cubic meters, in addition to saving energy and reducing emissions. Up until today, **10 approved alternative systems of management (recycling)** have been established and are in operation. Their capacity was to offer, by end of 2007, the possibility to recycle waste packaging to 6.1 million residents across Greece. In these recycling units, 21% of all portable batteries and accumulators was collected in 2007 (vs an EU target of 25% for 2012), while 71% of the national target in electrical and electronic equipment waste was handled.

Currently, 70% of the national target for 2010 of diverting biodegradable municipal waste from landfills has been achieved through the operation of municipal waste treatment plants and the diversion of waste packaging paper, and of paper in general, from landfills. It is estimated that the target will be fully achieved by 2010.

The establishment and operation of the **National Alternative Management Organisation of Packaging and other products (EOEDSAP)**, the purpose of which is to implement Greek alternative management policy, is near completion. Moreover, the **institutional framework for the management of medical waste (MW) from health units** is in force since 2003, also determining the terms and conditions for the management of all types of MW,. In order to improve the management of this type of waste, a study has been assigned with the objective to record the current situation in the country, elaborate on National Planning and technical specifications regarding waste management and indicate the actions and projects necessary in order to create an integrated management scheme for medical waste. In February 2007, the

national **hazardous waste management plan** was established, relying on the market mechanism for achieving the optimal management of waste.

Finally, the annual production of industrial waste is being monitored since 2004. Based on all of the above, the national strategy for waste management is in line with Community Strategy.

8.4 National energy strategy

8.4.1 Long-term Energy Planning

The publication by the Board of National Energy Strategy (SEES - a body of the Ministry of Development) of a report on “Measures and Means for a Sustainable and Competitive Energy Policy” in spring 2008 is a milestone in the **Long-term Energy Planning** of Greece. The report attempts to determine potential strategy options and formulate a general action plan for energy. It includes an updated account of world energy conditions, recording the latest estimates regarding various energy types and underlining the special emphasis already placed at the international level on climate change and energy efficiency. The significance of the latter has also been stressed by various Greek bodies which SEES consulted in an unofficial but constructive consultation process. The report also gives an updated description of the current situation in the Greek energy market and roughly outlines the legislative framework of Greek energy market.

The Long-term Energy Plan of Greece takes into account existing and potential energy reserves at the regional, national and global level as well as tendencies in international markets and aims at:

- **Security in energy supply**, by diversifying energy sources while at the same time strengthening the geopolitical strategic role of Greece in the wider area.
- Energy saving and rational use of resources.
- **The protection of the environment** and sustainable development, in line with international obligations.
- Ensuring the contribution of the energy sector in raising **productivity and enhancing the competitiveness** of the national economy, in promoting healthy competition and in achieving balanced regional development.

Several of the above general objectives of National Energy Strategy have already been translated into specific binding goals in line with EU Energy Strategy (e.g. reduction by 4%, based on 2005 levels, of all GHG emissions for sectors which are not included in the Emission Trading Scheme by 2020, renewable energy sources contribution to final energy production at 18% by 2020 and improvement of energy efficiency by 20% in EU as a whole).

8.4.2 Renewable energy sources

Photovoltaic Systems

In April 2007 the first phase of the **Photovoltaic Stations Development Programme**, to be amended subsequently by a later decision, was approved in line with the provisions of article 14 of law 3468/2006 for the “Production of Electricity by Renewable Energy Sources (RES) and High Efficiency Co-generation of Heat and Electricity (HECHE)”.

This programme was very favourably received by investors and, as a result, the applications submitted requesting a licence for the production of electricity by photovoltaic stations drastically overshoot, in terms of total electricity power, the programme’s goals. In view of the importance of these investments, a decision was issued by the Ministry of Development on 24 March 2008 for suspending the submission of applications for production licences. The terms

and conditions as well as any other necessary detail required, for assessing existing applications will be determined by a future ministerial decision.

Finally, it should be noted that the procedure for licencing the construction of the photovoltaic park of Megalopoli, envisaged to be the second largest photovoltaic park in Europe, is near completion, handled by PPC (DEH) Renewables S.A.. The capacity of the park will be 50 MW upon its completion in 2011 and will supply electricity to 28,000 households (or 41% of total households in the region of S. Arcadia) through electricity production from the sun.

Promoting Renewable Energy Sources (RES)

The **Special Framework for Spatial Planning and Sustainable Development for RES**, which was compiled by the Ministry for the Environment, Physical Planning & Public Works (YPEHODE) is in the final stages of being integrated into national legislation. The objectives of this Special framework are:

- a. the formulation of policies for defining the location of RES generation projects, by type of activity and spatial unit, based on available data at the national level.
- b. the establishment of location rules and criteria which will, first of all, enable the creation of sustainable RES energy installations and secondly, ensure their smooth integration into the natural as well as the man-made environment.
- c. the creation of an effective mechanism for defining the location of RES installations, in order to advance national and European policy objectives.

In order to further improve the relevant institutional framework for the promotion of RES, with a view to accelerating sectoral growth, a Committee was established with the participation of all pertinent Ministries and bodies, in order to promote simplified regulations pertaining to licensing processes as well as to the adoption of appropriate incentives for the development of RES.

In addition, the Ministry of Development has launched publicity initiatives for the raising the awareness about RES and HECHE applications.

Biofuels

In order to integrate biofuels in the Greek petroleum market, Greek legislation was harmonised to EU legislation (Directives 2003/30, 2003/96, 2003/17) in 2005. The new law, establishes an annual “**Programme for the Allocation of Quantities of Biofuels**” in order for certain quantities of biofuels to be exempt from the excise tax. In 2006 the conversion of two sugar producing plants into ethanol producing plants was decided.

The new measures regarding biofuels, also include a law amendment by the Ministry of Development and a Joint Ministerial Decision containing specific criteria and a methodology for the rational allocation of biodiesel production ratios.

Moreover, in April 2008 a National Committee was established the purpose of which is to assess and evaluate the existing legislative framework on biofuels in order for a new framework to be in place by 2009 taking into account the suggested amendments in the new Directive on RES,.

8.4.3 Energy saving

The Ministry of Development has elaborated on and published an updated version of the existing regulatory framework aiming at a comprehensive and integrated policy direction in the area of energy saving in public and wider public sector buildings.

Briefly, the framework provides for the following:

- The compulsory connection or application for connection (in cases where access to the network is not yet feasible) to the natural gas network.
- The reduction of reactive power.
- The precautionary, regular and thorough maintenance of air-conditioning units.
- The adherence to the various CEN (European Committee for Standardisation) standards for the desired and approved levels of temperature, the necessary quantity of fresh air and the appropriate lighting conditions depending on the use of each space.
- The replacement of common lighting bulbs with energy efficient bulbs (class A). Towards this end, statistical information is being collected from the entire public and wider public sector.
- Installation of automation arrays (in cases where they still do not exist).

Additional measures for energy saving are suggested for which the consent of the building's owner is not required (for the cases when the building is not State property), such as the installation of ceiling fans for natural ventilation, shading of the body of the building etc.

Regarding public procurement, the new framework adopts EU legislation regulations which allow the introduction of environmental features and eco labels, as part of the technical requirements. Thus, the State and wider public sector entities are required to take all appropriate measures and to buy the appropriate technical equipments with the statutory technical characteristics as well as to comply with energy regulations, requirements and standards within the defined time-frame in order to save energy.

According to the new framework, an **Energy Representative** is to be appointed, whose role will be to liaise with the services of the Ministry of Development regarding issues concerning one or more buildings under his/her jurisdiction (depending on the functional needs, total personnel, exploitable surface and the volume of buildings). The General Secretaries of the Ministry of Development and the Ministry of Interior are the co-ordinators of this effort.

Intervention programme for energy efficiency in Local Authorities (Ministry of Development – Central Union of Municipalities and Communities Memorandum)

On 22/11/2007 the Ministry of Development signed a **co-operation protocol** with the Central Union of Municipalities and Communities (KEDKE), in order to pursue a programme addressed to Local Authorities (OTA) and to citizens for developing actions aiming at increasing energy efficiency.

The programme will be funded by NSRF 2007-2013 and aims at improving the terms of energy efficiency at the regional level, to promote model actions of directly applicable results and to raise the awareness of both citizens and public sector – local authorities executives on issues of energy saving and the protection and sustainable management of the urban environment.

More specifically, it is intended to fund energy saving initiatives for existing municipal buildings (programme “PROSOPSI”) and outdoor locations (e.g. municipal lighting, bioclimatic open area architecture, pedestrian area design), as well as urban mobility initiatives and networking and publicity initiatives.

The anticipated benefit from these interventions (namely the degree of energy saving) is estimated to be considerable. For instance, adding heat insulation can result to 15% - 40% energy saving, replacing old windows and external doors can offer 10%-20% energy saving, while installing external shades can offer 20% to 30% energy saving while drastically improving internal conditions by at least 5° C.

Measures and Initiatives for energy saving

EU Directive 2002/91/EC was transposed into the Greek legislation by law 3661/2008 on “**Measures to reduce energy consumption in buildings**”. For the first time in Greece the issue of energy efficiency of new (of total surface over 50 m²) but also of existing buildings, which, upon their construction or renovation, are expected to tap the unexploited energy saving potential, is treated in a comprehensive manner.

Within six months after the law comes in force it is expected that all related regulatory decisions will also have been issued (e.g. the Joint Ministerial Decision on the Regulation for Energy Efficiency of Buildings). According to this new law, upon completion of a new building or when radical renovating an existing building, the owner is required to apply for an energy efficiency certificate. The certificate accompanies the sale or rental of all buildings and is made available by the owner to prospective buyers or tenants. In order to ensure the implementation of this measure, sanctions are imposed in case of non-compliance to the regulations.

Finally, **Directive 2006/32/EC** for energy efficiency in energy services, provides for an indicative energy saving target to member-states of 9% for the next nine years and compels member-states to carry out Action Plans for Energy Efficiency. This directive also provides for a special role for the public sector as an example-setter for energy saving actions. **The first Action Plan has been officially submitted to the EC in line with national obligations to comply with Directive 2006/32/EC.** A committee for the harmonisation with this Directive has been created in the Ministry of Development. This committee deals with issues of energy inspections, the use of financial means and the establishment of new mechanisms and legislation regulations.

Third party funding (XAT) Initiative

The legislative framework in place today includes a series of urban planning regulations, which pose obstacles to RES development. In many cases, either through the lack of provisions or through ambiguities in existing regulations leading to arbitrary interpretations, the installation of RES production units is stalled. It is, therefore, important to implement the following measures:

- Ensure that the installation of solar (thermic and photovoltaic) systems on the roofs of all types of buildings is legal, through the integration of relevant provisions in urban-planning regulations (for instance, by excluding the surface or/and height of solar collectors from restrictions regarding maximum building height and surface coverage).
- Enhance **Energy Services Companies (ESCOs)**. These companies are able to overcome obstacles related to the initial high investment cost, by profiting from the energy saved (and not by selling the equipment) and by undertaking to operate and maintain the installations.

In order to launch an exchange of views with the entities involved, the Ministry of Development has placed the related draft legislative framework, in public consultation. The relevant draft provides for **the third party funding of energy projects and is a crucial part of Directive 2006/32/EC.** This initiative, creates a new market for energy services and can yield significant results in the critical area of energy saving, as well as strengthen entrepreneurship and create new jobs.

In this way, the provision of energy efficiency services by Energy Saving Companies is regulated, through the obligation of energy efficiency contracts, according to which ESCOs, undertaking the associated technological and investment risk, will provide users with a more efficient technology resulting to, not only energy saving, but also to economic benefits. These benefits will, either in part or totally, be the compensation for ESCOs.

This legislative framework, apart from making provisions for energy efficiency contracts, also regulates issues of certification and compilation of the ESCO register and provides for

contract publication procedures, as well as the conditions, under which these contracts can be drawn by public sector entities as well.

8.5 Water resources

Regarding the implementing the Water Framework Directive (2000/60/EC), the following actions have been undertaken: allocation of responsibilities in each Water District, review of man-induced pressures and their impact on water systems and economic analysis of water uses. The process of restructuring the Networks and Programmes which monitor water resources in terms of their quality and quantity, as well as a classification of the ecological characteristics of water resources are currently underway. By the end of 2009, it is expected that water resources Management Plans will have been completed for all 14 Water Districts of the country, in line with the requirements of the Water Framework Directive. The Management Plans will be formulated as an integrated tool for the qualitative and quantitative analysis of management policies for water resources.

Currently, approximately 95% of the country's population, is connected to water networks, and this ratio continues to increase. Progress is also recorded in dealing with pollution from urban waste water. More specifically, 93.4% of the population of priority settlements A and B and 40.1% of the population of priority settlements C, who have to comply with Directive 91/271/EEC, are currently served by drainage networks. These ratios are expected to rise to around 96% and 50% respectively by the end of 2008 as a result of projects already been implemented. Furthermore, 95.2% of the population in priority settlements A and B and 29.3% of the population in priority settlements C are served by Waste Water Treatment Plants (WWTP). These ratios, based on projects already in place, are expected to rise to around 98% and 45% respectively by end of 2008.

Swimming water quality is improving steadily, as reflected in the increase of the percentage of coasts which are found to be within statutory limits, up from 98.7% in 1998 to 99.4% in 2002, 99.9% in 2006 and 100% in 2007. Within the context of implementing the relevant Community Directive, a qualitative analysis of seawater is carried out, with random checks in 2050 shores all over Greece.

Taking into account that the most significant pressures applied on the country's water resources, result from irrigation activities, the Ministry of Rural Development and Food, within the framework of the second general objective of the Programme for Rural Development 2007-2013, is implementing a series of actions aimed at promoting the rational use of water resources; firstly through land reclamation projects for water saving irrigation, and secondly through the application of agricultural practices which are designed for using smaller quantities of water.

In addition, with an aim to improve water quality and with particular emphasis on underground water quality, but also to protect water systems under Community and national legislation regarding general indicators and toxic substances (including pesticides), as well as under the national strategy on water resources, the Rural Development Programme 2007-2013 implements a series of actions which contribute directly or indirectly to the protection of the country's water resources. These actions include programmes designed to reduce nitrogen pollution from agricultural sources, programmes of environmental protection and management of lakes and lagoons, the integrated management of cotton and tobacco, etc.

It should be noted that, the interventions of the Programme for the protection of soil resources but also for the reduction in the phenomenon of GHG emissions, also contribute to the protection of water; for example, organic farming contributes to reducing the chemical pollution of water, the forestation of agricultural and non-agricultural land contributes to the enrichment of the underground aquifer, etc.

In order to deal with non-point sources of pollution, there is a gradual integration of farmland into programmes for the reduction of nitrate pollution from agricultural sources as well as of irrigation water loss. The programme will continue during the Programming Period 2007 - 2013 and will even be extended into new areas.

Since 2003, Greece is the leading country in the Mediterranean Strand of the European Water Initiative (MED EUWI). The most important action, launched in 2008, is the «National Dialogue on Water» in Egypt and Lebanon, with an emphasis on creating Strategies for the Sustainable Financing of priority actions for the implementation of national targets in water, hygiene and an integrated management of water resources. Similar preparations of the Dialogue process have also been initiated in Libya, Syria and by the Palestinian Authority.

8.6 Soil resources

Aiming at the protection and preservation of Greek soil resources and at the prevention of the desertification phenomenon, policies are already in place in order to preserve agricultural activities in underprivileged areas, whether mountainous or not, by providing compensation allowances to farmers who live and work in such areas and to alleviate problems associated with overgrazing through the implementation of a livestock farming extensification programme. Moreover, initiatives are underway for the preservation and protection of quality and quantity soil characteristics, by promoting and supporting environmentally friendly methods of agricultural production (organic farming and livestock), the re-establishment and maintenance of hedges and the afforestation of agricultural land.

8.7 Preservation and management of biodiversity

The actions implemented for the protection of biodiversity are related to particular species of flora and fauna in ecosystems as well as to the organisation and operation of a National System of Administration and Management of Protected Areas. In order to support an integrated approach for the preservation of biodiversity, a National Biodiversity Strategy has been prepared, while net-based resources for circulating information on biodiversity have been developed. In addition, in the Operational Programme «Environment and Sustainable Development 2007-2013» the elaboration of the Thematic Strategies for coastal areas and seas, forests and rural areas has been planned, with an aim to compile a national framework for the systematic monitoring of biodiversity and for specific actions in support for endangered species and habitats.

Both in the framework of the agricultural-environmental measures of the 3rd Programming Period, as well as of the Rural Development Programme 2007-2013, specific actions have been implemented, and will be further pursued aiming at the protection of livestock breeds that are threatened with abandonment, the maintenance of extensive crops that are at risk of genetic erosion, the preservation of farmland for the protection of wildlife and, finally, the protection of the ecosystem of wild flora and fauna in Natura 2000 areas, through targeted subsidies to farmers engaged in agricultural activity in these areas.

Furthermore, it should be noted that interventions aiming at the protection of soil, water and, especially those related to the ecological stability of forests, all contribute to the protection of wild flora and fauna.

8.8 Protected areas

By end of 2007, 19.1% of the land area of Greece and 5.5% of its territorial waters were incorporated in the Network of Protected Areas of Natura 2000. For the institutional consolidation of the areas of the Network, 84 Special Environmental Studies have already been developed or are underway. These cover 57% of the entire area of the Network. The area

which has been officially consolidated as protected in accordance with national law has increased significantly.

8.9 Sustainable production and consumption

Through the 3rd CSF, a series of programmes is being implemented aiming at, among others, the subsidisation of entities for being included in the EU Eco-Management and Audit Scheme (EMAS) register, for certification by the Greek National Standardisation Institute (ELOT) EN ISO14001 and for receiving the Eco-Label.

The number of **EMAS** certified businesses and institutions has risen from 10 on 1/1/2005 to 27 on 1/1/2006 and to 60 on 1/1/2008 and remains on a constantly rising trend. A programme has been launched through the O.P. “Competitiveness” by the Ministry of Development, for the subsidisation of entities in order to receive certification by EMAS or the **Eco-label**. The total programme budget, amounts to around € 9 mio and these initiatives are expected to be strengthened in the following years.

In addition, enterprises from all sectors (Manufacturing, Services, Commerce, Tourism) are being supported in order to develop and be certified for **Environmental Management Systems** according to ISO 14001. Increasing interest has been recorded in this area, with 180 enterprises having been included in the most recent cycle of related tenders of the O.P. “Competitiveness” (2000-2006).

Moreover, Law 3325/2005 requires from enterprises in the Attiki prefecture, where business operations can have significant environmental consequences, to apply an Environmental Management System according to ELOT EN ISO 14001, by 2010.

The Eco-label has already been granted to 149 products by 22 companies and to 4 services (hotels), while applications for 35 new products and 2 hotels are in the process of being evaluated. Regarding the total number of labels granted to Greek companies, Greece is in 7th place among EU member-states. Considerable emphasis is also placed on making the label more widely known.

Finally, protecting the environment and preserving natural resources, is further promoted by applying the **Cross-Compliance of the Common Agricultural Policy**, which has been in place in Greece since January 1st, 2005. According to cross-compliance, farmers who receive direct support are required to fulfil certain requirements related to the environment, food safety and proper animal treatment as well as to ensure that farming takes place under sound environmental conditions. These requirements aim at protecting the composition of soil from erosion (minimum land cover, minimum land management, terraces), the preservation of the organic matter in soil (principles for crop rotation, management of the residue of crops) and the preservation of the structure of agricultural land (sound use of agricultural machinery). They also aim to sustain the productive and environmental characteristics of habitats (protection of permanent pastures, landmarks, olive groves etc).

9 Regional and social cohesion

Main policies in the area of regional and social cohesion

- Investment Incentives Law
- Public Private Partnerships
- Extension of the internet coverage of the country
- Development of Regional Innovation Poles
- Improvement of transport infrastructure
- Establishment of the National Fund for Social Cohesion
- Income support to low pensioners and the unemployed

- Observatory for persons with disabilities

9.1 Current developments in regional and social cohesion

Greece, is a country characterised by significant disparities; however, these disparities at the regional level are less pronounced compared to the EU average. The regional dispersion of GDP per capita is lower than the EU average (26.5 in 2005 compared to 29.2 for EU-27). On the basis of the performance of the 13 peripheries of Greece regarding the growth rate of GDP per capita during the 2002-2005 period, the following is worth noting:

- The country as a whole is growing at rates exceeding the EU average.
- The peripheries grow at different rates; however, the majority of them are near the country average.
- The peripheries lagging behind the most are Western and Central Greece (Sterea Ellada), Thraki, Ionian Islands and South Aegean Islands.

Also, in Greece regional disparities in employment rates are significantly lower than in the EU-27. In particular, the coefficient of variation for Greece for 2006 was 3.7 compared to 11.4 for EU-27.

Regarding social cohesion, it should be noted that, in 2007 social transfers amounted to 17.3% of GDP, up from 15.6% in 2004, while social protection expenditure was very close to the EU average of 27.3%. However, the efficiency of public spending remains limited: of all persons below the relative poverty line – i.e. persons who have less than 60% of the median disposable income – only 13% manage to cross the poverty line after social transfers, compared to an average of 38.5% in the EU. The inefficiency of public spending in Greece, is also reflected on the fact that the percentage of persons below the poverty line, after social transfers has remained stable in the last 12 years, close to 20%, compared to 16% in the EU.

The poverty rate is not radically different between men and women (amounting to 21% for women and 20% for men). The rate is significantly higher for the unemployed (32.8%) and pensioners (26%), while it is substantially lower for employed persons (14%). The significance of employment is also highlighted by the fact that evident as 68% of persons below the poverty line are not employed.

It is also important to note that 50% of households below the poverty line are very close to it. The median of households at risk of poverty would need approximately € 1,360 per year to reach the poverty line, in other words it is by 24.1% below the poverty line. This fact reveals the significant scope for targeted support to for those in need in order to reduce the poverty rate.

9.2 Measures strengthening regional cohesion

The **Investment Incentives Law**, as modified by Law 3522/2006 has been in effect since 2007. It is an important economic tool for channelling private investment to the regions. Its successful implementation is continuing, thereby strengthening the productive basis of the periphery and creating, either directly or indirectly, new employment positions.¹³ In addition to it, the framework of **Public and Private Partnerships (SDIT)** has become a significant instrument for improving infrastructure and supporting regional economic growth.¹⁴

¹³ More information regarding the Investment Law is presented in chapter 5.2.1.

¹⁴ More information regarding SDIT is presented in chapter 2.5.

*In pursuing regional cohesion, all actions included in the **Plan for the Development of Broadband Services** are underway.* This Plan is part of the Digital Strategy with a budget of € 450 mio until 2009 and is funded by the 3rd CSF. The development of regional broadband infrastructure, a very significant action for regional cohesion, is underway: in parallel with strengthening demand for broadband services, metropolitan fibre optic networks are being constructed in 75 cities along with wireless networks in 120 cities and 20 Local Unions of Municipalities and Communities (TEDK). The full implementation of the Broadband Development Plan is expected to result by 2009, to a broadband coverage of 90% of the population (compared to less than 40% in 2004) and a geographical coverage of 60% (compared to less than 10% in 2004). Moreover, the initiatives for “increasing competence” of Local Authorities as well as the initiative “Digital Municipality”, which were mentioned in chapter 4, are also underway.

In addition, the development of an integrated strategy for innovation at regional level is worth mentioning, through the implementation of the initiative “**Development of Regional Innovation Poles**” by the Ministry of Development. The results from the five approved Regional Innovation Poles in Kriti, Ioannina, Patra, West Makedonia (Kozani) and Central Makedonia (Thessaloniki) are expected by the end of 2008. These results, and the overall contribution of Poles, will be evaluated in order to further support and expand the Poles with a positive impact in the region. During the 2008-2010 period, new Innovation Poles in seven other regions of the country are envisaged.

In order to promote social and regional cohesion in the employment sector, the Ministry of Employment is elaborating on integrated interventions through the local action plans for employment and entrepreneurship for socially vulnerable groups. It will also support the development of local initiatives by firms or group of companies, aiming at combining the use of local funds with the social and professional integration of vulnerable groups of the population.

Also regarding employment, the Ministry of Rural Development and Food, in the framework of its wider strategy for the economic and social development of rural areas, is implementing a series of initiatives which contribute directly or indirectly to job creation, either for permanent or seasonal employment. Examples of such initiatives include: the subsidisation of the start-up of young farmers, the differentiation between farming activities and activities which are related to agriculture, the encouragement of tourism and manufacturing activities, as well as interventions at the level of manufacturing and selling of (primary) raw agricultural and forestry-derived goods etc. A rough estimate for the impact of this programme is that, when completed, it will have resulted in 3,645 new full-time jobs in the agricultural sector.

In order to further support regional cohesion, the Greek government aims at implementing ambitious investment programmes, for the development of Greek Ports. These programmes, will be implemented during the 2007-2015 period and include the construction and upgrading of infrastructure, the purchase of modern machinery and equipment, information technology projects, personnel training programs etc. The goal is to offer high quality freight services and improve the competitiveness of Greek ports. In order to safeguard adequate funding for these investment programmes, a Funding Protocol has been signed between the Ministry of Mercantile Marine, the Aegean and Island Policy and the European Investment Bank (EIB), according to which, the EIB will provide loans up to the amount of € 3 bn for the implementation of a wide spectrum of investment projects in ports, with an estimated total budget of € 6 bn.

Greece has a great number of small islands, a fact which creates an obligation for the State to supervise the domestic maritime transport sector, in the context of safeguarding social cohesion and ensuring equal opportunities. As a result, in sea routes which ship-owners choose not to serve on a profitability basis, public service contracts are signed following tender procedures.

The following table presents the aggregate remuneration granted for public service contracts since 2005.

Table 9.1.1: Total Remunerations granted for public service

Year	Remuneration
2005	€ 37,095,707
2006	€ 40,179,509
2007	€ 35,106,620

The development / improvement of the transport system significantly contributes to regional and social cohesion, as it releases development resources regarding land use and human capital resources. The driving force to this end over the 2000-2006 period was securing financing of basic infrastructure networks (roads, railways, ports, airports) through the OPs “Road Axes, Ports and Urban Development” with a budget of approx. € 10.3 bn and “Railways, Airports, Public Transport” with a budget of approx. € 2.4 bn as well as the Cohesion Fund with a budget € 3.2 bn. More specifically, regarding the road transport section, emphasis was placed on the completion of the basic axes “Patra – Athina – Thessaloniki – Evzonoï” (PATHE)¹⁵ and EGNATIA ODOS¹⁶, as well as on the road axis of the central part of Greece, the axis Korinthos – Tripoli – Kalamata, the Northern axis of Kriti (VOAK) and main road connections at the Ionian and Aegean Islands.

In parallel, the railway transport service for the whole country has changed. Projects for upgrading both the railway axis Athens – Thessaloniki – Edomeni and the regional network, were promoted aiming at transforming it into a modern railway high speed network. At the same time, the suburban railway network of Attiki was developed, in order to improve the access of the Attiki regions and of neighbouring Prefectures to Athens International Airport “El. Venizelos”, to the Port of Piraeus and to the city centre. This network contributed to the development of an integrated transport network in this wider area.

The development of infrastructure at the country’s “gates” was also promoted, meaning ports and airports of national importance and those which belong to Trans-European Networks. More specifically, significant resources have been devoted to the improvement of infrastructure at the ports of Piraeus, Thessaloniki, Patra and Igoumenitsa, as well as to the upgrading of the services and potential of the small island ports. Regarding the air transport sector, apart from the International Airport “El. Venizelos” and the expansion and upgrading of the “MAKEDONIA” airport, significant investment and modernizing projects took place at other regional and island airports of the country.

For the 4th Programming Period, the basic investment tool in the transport sector is the O. P. “Improvement of Accessibility” which has an estimated budget of € 7.4 bn, and aims at:

1. Improving accessibility, through the development of the Trans – European Networks, as well as the development of transport infrastructure at the national / regional level (road, railway, sea, air, and urban transport sectors), on the basis of a sustainable development of the transport system.
2. Improving the competitiveness and productivity of the transport system, through upgrading the quality of services offered by emphasizing the reduction of transport time and cost, through improving safety and creating additional value added.

¹⁵ Including Rio – Antirio Bridge, Attiki Odos and other access roads

¹⁶ Including connections with the ports of Igoumenitsa, Thessaloniki and Alexandroupoli

Within this framework, the following interventions can indicatively be mentioned: the construction of the IONIAN Motorway, which is currently underway, the improvement of the Regional Road Network, the construction of the Sterea Ellada Motorway (E65), the completion of the railway axis Patra – Athens – Thessaloniki / Promahonas (PATHE/P) and the extension of the metro lines and the tramway system of Attiki. As a result of these interventions, a clear net benefit is expected at both the national and regional level regarding the reduction in travel time, environmental protection and regional development and cohesion.

9.3 Measures strengthening social cohesion

The establishment of the **National Fund for Social Cohesion** is a decisive step towards combating poverty and reducing social inequalities. This Fund will finance, based on specific objective criteria, integrated programmes providing targeted financial support to those who are below the poverty line. The main target of the actions subsidised by the Fund, is to drastically reduce the poverty rate, within the next 5 years. The amount of the support offered to the beneficiaries, will be determined according to specific and objective social criteria. Moreover, the establishment of a Special Analysis, Evaluation and Documentation Group is envisaged the role of which will be to introduce and evaluate proposals for tackling poverty.

In order to combat poverty, the unemployment benefits have been increased by 18% in 2007. The total increase in unemployment benefits will have reached 30% by end of 2008. In addition, EKAS (Pensioners' Social Solidarity Assistance) benefits increased, as well as farmers' pensions (paid by the Organisation of Agricultural Security) which were increased by 22% in 2007 and 2008 contributing to the combat against **pensioners' poverty**.

In order to promote equal opportunities in accessing the labour market and fight against social exclusion, during the 2008-2010 period, continuing the implementation and the intensification of interventions aiming at facilitating the socio-economic integration of vulnerable social groups is envisaged.

Moreover, a pilot **programme of interventions for promoting the employment of the long-term unemployed**, the older age unemployed and the unemployed belonging in vulnerable social groups is being developed. The goal to activate at least 25% of the long-term unemployed and to gradually reduce flows to long-term unemployment. This programme envisages the provision of opportunities to them for participation in ALMPs, before the time limit of 12 months as unemployed.

In order to achieve the full **integration of immigrants**, who live and work in Greece, pertinent ministries are undertaking co-ordinated and systematic efforts to lift remaining barriers which, indirectly, hinder access to certain goods and services. The necessary condition for the social inclusion of immigrants is to ensure that they obtain and preserve an official status of residence. Within this framework and in order to promote the smooth integration of immigrants in the Greek society and labour market¹⁷, a series of accompanying measures are underway. These refer to the establishment of Accompanying Supporting Services (SYY), which offer reception services and provide information, in addition to the introduction of Greek language courses leading to the accreditation of the knowledge obtained. Moreover, actions to raise the awareness of immigrants and provide information and publicity, are currently underway in order to disseminate information about health and hygiene issues, the fight against xenophobia and racism within the health care units, the preparation and distribution of leaflets, written in their native language, which refer to the

¹⁷ More information regarding the initiatives dealing with undeclared work is presented in chapter 6.4.5.

basic terms considered necessary for an easier interaction, between immigrants and public services.

Regarding the social and professional integration of persons with disabilities, the improvement and redefinition of the **National Observatory for Persons with Disabilities (AMEA) operation** is proposed. At the same time, the development of a registry and monitoring system for persons with disabilities is underway. In addition, Public Employment Services (DYA) are being strengthened in order to facilitate the access of persons with disabilities to the labour market. Measures implemented relate to the establishment of a network of Expert Advisors providing information for their social and professional inclusion, the development of tools and methods facilitating the entry of persons with disabilities in professional training and the promotion of alternative employment contracts (protected employment, etc). Finally, initiatives are currently being developed for the dissemination of information, for raising awareness and providing support to the families of persons with disabilities, aiming at combating inequalities and discrimination. In parallel, in order to prevent the institutionalisation and stigmatisation of persons with disabilities, the establishment and operation of Homes providing conditions for Supported Living has been planned.

The Institute for Social Protection and Solidarity (IKPA), with the help of expert scientists, has completed the translation of the International Classification of Functioning, Disability and Health (ICF) according to the suggestions of the International Health Organisation and has laid out the plan of adjustment and gradual transition to this new system. The adoption of the ICF will result to the implementation of the “**Disability Card**”, which is already in legislative preparation. The new legislative framework is ready, aiming at drastically improving the lives of persons with disabilities by abolishing the painful and lengthy re-evaluation process of their status by Medical and Administrative Committees. The provision of the disability card will thus reduce the additional burden of this particularly vulnerable social group. The Ministry of Health and Social Solidarity will, henceforth, certify the Disability, regardless of its degree, through a procedure which will result to the provision of a Life-long, Long-term or Short-term card.

10 The contribution of the Structural Funds and the NSRF 2007-2013 to the National Reform Programme 2008-2010

The launch of the new three-year cycle of the revised Lisbon Strategy and the reference period of the NRP 2008-2010 coincides with the completion of the Community Support Framework 2000-2008 (CSF) and the first years of implementation of the National Strategic Reference Framework (NSRF) 2007-2013 for Greece.

For the 2000-2006 period, at the level of initial planning, implementation and revision, the Lisbon Strategy mainly affected Structural Funds interventions in an indirect way. However, the CSF¹⁸ was an important tool, for promoting the Lisbon objectives in Greece, as 55% of its resources were directed to interventions directly related to the growth and jobs strategy. The planning and implementation period of the 1st NRP 2005-2008 coincided with the consultation process, the planning and approval of NSRF. The two sets of procedures were approached in an interactive way, ensuring the strong consistency of the NSRF and OPs with the Lisbon strategy at the programming level.

For the 2007-2013 period the NSRF¹⁹ is the reference document for managing EU Funds at the national level and it was developed on the basis of two main parameters: the major

¹⁸ Detailed information on the CSF 2000-2008 is available at <http://www.hellaskps.gr/>

¹⁹ The NSRF and Operational Programmes of the period 2007-2013 are available online at: <http://www.espa.gr/>

differentiation of the geographical eligibility of the Greek regions as compared to the three previous CSFs (since all but 8 regions no longer fall under the pure Convergence Objective) and a more strategic approach, with a closer emphasis on EU objectives for Lisbon.

The total budget of the NSRF amounts to 39.4 bn euro and includes 20.4 bn of Community Contribution (from the European Regional Development Fund, the European Social Fund and the Cohesion Fund), 11.5 bn of Public National Expenditure and 7.5 bn of estimated Private Contribution (not including resources for Rural Development and Fisheries).

Operational Programme	Community Contribution (ESF, ERDF, CF)	National Public Contribution	Total Public Expenditure (including estimated revenue)	Total estimated budget (including total public expenditure and private contribution)
Environment – Sustainable Development	1,800,000,000	450,000,000	2,769,000,000	2,769,000,000
Accessibility Improvement	3,700,160,864	1,276,030,864	7,400,321,728	11,028,863,728
Competitiveness & Entrepreneurship	1,291,000,000	228,000,000	1,721,000,000	3,131,565,249
Digital Convergence	860,000,000	215,000,000	1,147,000,000	1,468,000,000
Human Resources Development	2,260,000,000	565,333,333	3,013,333,333	3,063,333,333
Education & Life-long Learning	1,440,000,000	618,000,000	2,215,000,000	2,215,000,000
Public Administration Reform	505,000,000	126,000,000	675,000,000	675,000,000
Technical Support for implementation	192,000,000	33,882,353	225,882,353	225,882,353
Macedonia _Thraci	2,675,000,000	589,500,000	4,176,000,000	4,478,669,300
Western Greece – Peloponissos – Ionian islands	914,000,000	229,000,000	1,315,000,000	1,442,186,000
Kriti – Southern Aegean	871,300,178	322,700,000	1,325,000,178	1,498,000,178
Thessalia - Sterea Ellada - Ipiros	1,105,000,000	368,995,714	1,823,285,714	2,033,785,714
Attiki	2,438,000,000	613,000,000	3,561,000,000	4,802,000,000
OPs for Territorial Cooperation	209,515,579	140,000,000	350,000,000	350,000,000
National contingency reserve	158,800,403	52,933,468	211,733,871	211,733,871
Total	20,419,777,024	5,828,375,732	31,928,557,177	39,393,019,726

Given the persistent significance of these transfers, in the context of European Cohesion Policy and in the light of the 2005 EU Spring Council conclusions,²⁰ the NSRF will also prove to be an important tool for promoting the priorities of the Lisbon agenda in Greece.

The national strategic objectives concerning the NSRF contribution to the NRP are developed on four levels (financing, quantitative objectives, qualitative objectives, coordination and management arrangements):

A) Increase in national financial efforts through Structural Funds and the NSRF for supporting the Lisbon Strategy, compared to the 3rd CSF:

According to the target set at the NSRF (earmarking), it is estimated that for the 2007-2013 period:

²⁰ According to which the EU has to mobilise all available national and Community means, including European Cohesion Policy, in order to achieve the revised Lisbon strategy. This policy direction was included in the Community Strategic Guidelines on Cohesion Policy for the period 2007-2013.

- 61.9 % of NSRF Community Contribution to the 11 Convergence Objective regions²¹ (from 55% in the 3rd CSF) and
- 67.0 % of EU contribution to the two Regional Competitiveness and Employment Objective regions²² will be earmarked to promote EU priorities for growth and jobs.

Emphasis will be placed on the continuous monitoring of the implementation of these commitments and on focusing expenditure on investment with direct and significant contribution to growth and employment throughout the duration of the programming period (in the light of the 2008 EU Council conclusions). Given that more than 80% of NSRF resources are directed to the Greek periphery, its interventions will also contribute to a regional adaptation of the NRP objectives (through the 5 Regional Operational Programmes) as well as to the active involvement of Regional Authorities to the implementation of the Lisbon objectives.

B) Maximisation of the NSRF and OP contribution at the level of quantified objectives or/and Lisbon indicators, so as to improve the relative position of the country as compared to the EU average (periodically monitored by structural indicators), both in nominal and real terms:

At the programming stage, both structural indicators and the majority of the 55 NSRF quantified objectives (see Annex III of the NSRF) and OP objectives are consistent with the ones used in the monitoring framework of the Lisbon agenda and with EU objectives set at various policy areas.

Within this framework, monitoring and evaluation of the contribution of NSRF interventions (at a national, sectoral and regional level) on the national (NRP) and European Lisbon objectives will systematically be pursued.

C) Contributing to the achievement of the NRP qualitative objectives, ensuring the consistency of OPs with the 24 Integrated Guidelines and addressing the EU Council country-specific recommendations for Greece:

The NSRF will contribute directly to the promotion of the 2nd, 3rd and 4th NRP priorities. The NSRF OPs establish a strong coherence with and contribution to the NRP at the programming level, in terms of the content of policies, priorities and measures they incorporate. The OPs systematically cover the microeconomic and employment guidelines and the 2008 EU Council county-specific recommendations for Greece²³:

Regarding the **2nd EU Council recommendation** (*“...implement the reform of its public administration, by building up effective regulatory, control and enforcement capacities, by modernising its human resources policy*), the interventions included in the OP “Public Administration Reform 2007-2013” (with € 505 mio European Social Fund co-financing and € 675 mio total public expenditure) are intended to introduce significant innovations in public administration. The 2nd component of this recommendation for the *“effective use of Structural Funds”* is also addressed through the structural reforms introduced with Law 3613/2007 for the “Management, control and implementation of development interventions for the 2007-2013 period”. The new Management and Control System (Regulation EC 1083/2006) and the

²¹ This amounts to € 12 bn while total EU contribution is € 19.4 bn. The cohesion objective directs funds to the following peripheries: East Makedonia – Thraki, Ipiros, Thessalia, Ionian Islands, Western Greece, Peloponisos, North Aegean, Kriti, Central Makedonia, West Makedonia, Attiki.

²² This amounts to € 0.43 bn while total EU contribution is € 0.63%. The objective “Peripheral Competitiveness and Employment” includes the areas of South Aegean and Sterea Ellada.

²³ More detailed reference on addressing the European. Council recommendations through the NSRF are included at the 2007 NRP Annual Implementation Report and at chapter 5 of the NSRF.

interventions of the OP “Technical Assistance” (such as support of NSRF implementation entities aiming at upgrading their managerial capacity in planning and implementing co-financed actions etc) will also have a significant contribution to the effective use of Structural Funds.

Interventions included in the OP “Development of Human Resources 2007-2013” (with € 2.26 bn of ESF co-financing and € 3.0 bn of total public expenditure) will contribute to addressing the **3rd recommendation**, especially regarding the strengthening active labour market policies.

The **4th recommendation** is mainly addressed by the OP “Education and Life-long Learning 2007-2013”, while additional interventions on the responsiveness to labour market needs are included in the OP “Development of Human Resources”. Relevant investment from the OP “Education and Life-long Learning” and the 5 Regional OPs of the 2007-2013 period is estimated at € 3.3 bn of public expenditure.

It should also be noted that the NSRF strategy places particular emphasis to urban development, focusing on four interrelated thematic fields which are fully aligned with the 4 priority²⁴ policy areas of the 2006 Spring EU Council.

The emphasis now is placed on implementing the strategy, in respect of which the OP activation-specialisation Action Plans of ministries and regions will prove to be particularly useful tools. Priority is given to the publication of calls for proposals to Beneficiaries of Operational Programmes which fall under the 47 earmarked categories of expenditure contributing to the Lisbon Strategy (according to Annex IV of the Implementing Regulation EC 1828/2006).

D) NSRF – NRP coordination at the level of planning, implementation, management, strategic monitoring and evaluation. Completion of the structural reforms in the management and control system of the NSRF by Law 3614/2007 (in light of the 2nd EU Council recommendation for the ‘effective use of Structural Funds’):

Full implementation of Law 3614/2007 for the “Management, control and implementation of growth interventions for the programming period 2007-2013” is considered to be a main priority. The law provides (among others) for:

- A new management and control system, the promotion of the simplification of administrative procedures and their support by ICT.
- The strengthening of structures responsible for the strategic monitoring and mechanisms for cross-sectoral policy coordination.
- A new Operational Programmes architecture and reduction of their number to 8 national and 5 regional OPs.
- The restructuring of NSRF Managing Authorities in Ministries and Regions and making use of Intermediary Entities for the management of NSRF.
- The certification of the managerial capacity of NSRF beneficiaries and the support of weak implementing entities for a more efficient implementation.
- The strengthening of the partnership principle, the transparency and accountability of regional and local authorities, and reinforcement of the capacity of entities responsible for planning, management, control and implementation..

²⁴ These are: investing more in knowledge and innovation, unlocking business potential, especially of SMEs, investing in people and modernising labour markets, addressing energy and climate change.

In this context, the aim is to make the revised Lisbon agenda a central component of the management, implementation and monitoring system of the NSRF and to ensure a closer coordination of NRP-NSRF procedures, structures and systems:

- At the strategic level, coordination is ensured within the framework of the two competent instruments, which are chaired by the Minister of Economy and Finance and include representatives of both Programmes: for the NSRF, the relevant body is the “Interministerial Coordination and Policy Formulation Committee for development planning 2007-2013” (Law 3483/2006), whereas for the NRP it is its Standing Committee.
- The approved NSRF has set the target of adapting its monitoring systems in order to meet the requirements of the Cohesion Policy reporting framework (article 29 of Regulation EC 1083/2006) and the corresponding open method of the coordination framework of Lisbon. In this framework, measures being promoted include the incorporation of relevant codifications at the Management Information System ‘ERGORAMA’ and at the Technical Sheets of co-financed operations, the introduction of related analysis at the OPs’ annual implementation reports etc. At the monitoring level, the National Coordinating Authority of the Ministry of Economy and Finance compiles the NSRF strategic implementation reports and is responsible for collecting and submitting to the EC data relating to the Ops’ contribution to the NRP, according to article 29 of Regulation 1083/2006. It is also authorised to observe the Ops’ expenditure allocations on priorities of article 9 of Regulation 1083/2006 (earmarking), as well as to monitor the progress of their implementation and the coordination with the NRP priorities.
- In addition, at the level of management, the application of a horizontal selection criterion is considered, in order to choose and finance NSRF operations which are related to the NRP and the Integrated Guidelines.
- Finally, according to the indicative NSRF Evaluation Plan, which describes the programming at the strategic and operational levels, undertaking a specialised thematic evaluation is envisaged, in order to analyse the contribution of the OPs of the 2007-2013 period to the National Reform Programme implementation.