



The Role of Structural Reforms and the Prospects for the Greek Economy

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The large Greek bilateral chambers of commerce (the American-Hellenic, British-Hellenic, Franco-Hellenic, German-Hellenic, Hellenic-Italian, Hellenic-Dutch, and Swedish-Hellenic chambers) represent a significant part of the Greek economy and employment. They play a particularly critical role since they link Greece's business world to its largest commercial partners abroad, while serving as an important and reliable means for promoting the economy's needed outward-looking approach. In this context, they mandated the initiative to the Foundation for Economic and Industrial Research (IOBE) and The Boston Consulting Group (BCG) for a study on the progress of Greece's structural reforms and economic prospects. This study is a product of the collective work done by IOBE and BCG. The IOBE and BCG teams worked under the scientific guidance and responsibility of the Director General of the IOBE, and the Office Leader of BCG in Greece. The views expressed do not necessarily reflect those of the organizations who support or collaborate with IOBE and BCG.

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Introduction

After six years of deep, extensive recession, **the Greek economy is now stabilizing.** Equilibrium is being restored both in the fiscal and the trade balance. In many key sectors, prices are clearly dropping. In addition, the cost of servicing the public debt is expected to drop further since a primary surplus has been created. Positive developments have also been recorded in unemployment, the banking, and the tourism sector.

Despite these positive developments, there continues to be a **risk that the Greek economy will not achieve lasting, significant positive rates of growth.** The sustainable path to recovery and growth entails making **substantive changes to how the Greek economy operates.** Greece's access to external borrowing (both for the government and the banking sector) is expected to continue to be restricted in the foreseeable future, primarily because of the high cost of borrowing. Thus, **economic growth** can only come from **exports and direct investments** by businesses and investors already in Greece, as well as from new foreign capital injected into the real economy (as opposed to debt-driven government and private consumption, as was the case in the recent past).

Two key conditions for achieving a substantial increase in exports and investments are improvements to the domestic business environment and enhancement of the economy's competitiveness. Numerous reforms along those two lines have already been included in the Economic Policy Program. However, **an overall strong implementation plan for substantive reforms does not appear to have taken shape,** partly due to delays and reactions in several proposed sweeping changes in many sectors. The adjustment the Greek economy needs to make cannot be limited to the fiscal domain, which has already exerted strong pressures on economic activity. Given the protracted and deep recession Greece has faced since 2008, **the production base needs to change** and grow more **diversified than in the past through** extensive investments. A real improvement in the degree to which the Greek economy is outward-looking could play a decisive role in securing economic recovery.

Without changes to key aspects of the economic model, the equilibrium achieved at fiscal level and at the balance of trade will remain fragile and unstable. To support and facilitate the restructuring of the Greek economy **it is vital to implement reforms** in areas that affect key aspects of the production system. The purpose of this study is to present the progress that has been made over recent years and to highlight the future priorities and measures needed to complete the reform process.

Key Pillars in Reform Policy for Economic and Social Transformation

Planning is essential to ensure that **reform policy** is as effective as possible within the shortest possible time. The first necessary step in this process is to determine **the key pillars of reform decisions and measures.** An across-the-board effort to pass and implement all reforms at the same pace, without specific priorities, does not maximize effectiveness, nor does it speed up achievement of the outcomes being sought. Planning must pay considerable attention to the **key factors in restructuring the economy and the economic and societal forces in Greece that over the years have acted as brakes** on the development of society and the economy (such as low degree of competitiveness, ineffective government, and extreme increase in unemployment).

In this context, reform policy must focus on **four structural features** of the Greek economy and Greek society that are key to defining its prospects, namely its **structural competitiveness**, its **outward-looking focus**, the **role of the State in the economy**, and the **degree of society's access to, and participation in, economic and technological developments**.

Taking into account the gradual increase in the competitiveness gap that emerged over time between Greece and other developed countries, coordinated actions are now needed to **bolster Greece's structural competitiveness**. This is not solely dependent on the relative cost of production (where extensive adjustments have been made over recent years) and on the price of end products and services. To a large extent, it is related to the **quality of these goods and services**, their **technological content**, and the **degree of diversification**. From an international point of view, major improvements are increasingly possible in these sectors by **generating and assimilating innovation**. The development of the global economy is now largely determined by the production and utilization of knowledge. Consequently, to cover part of Greece's shortfall compared to other developed countries in the field of innovation, **it is essential to support investments in research activities, and the application and dissemination of research results**. Reforms must make it **significantly easier to utilize the benefits of research and technology activities**.

A gradual improvement in the competitiveness of products and services produced in Greece is one of the key conditions for ending the inward focus of the Greek economy. However, it is not enough to accomplish the **major, lasting improvement in the international focus of the economy that is needed to change its economic model**. The **majority of Greek businesses** have never been exposed to international markets. On the other hand, Greek businesses that over the years have adopted an outward-looking approach, have had to deal with **major barriers** resulting from the ineffectiveness of public services. Therefore, to **transform the Greek economy into an outward-looking economy** (a key structural feature of developed economies) a series of reforms dealing with **export procedures** is needed. In addition, **businesses must be appropriately informed** about the international environment, and must develop their **networking skills**.

The **State's structure and operation** have for years **created obstacles and problems** for many business and private activities. **Overregulation**, the **frequent lack of organization structure, and/or misallocation of responsibilities in the public sector**, and numerous **changes in the structure of the State**, have all led to **decision making fragmentation** and an **increase in bureaucracy**. This, in turn, led to **corruption**, which has become widespread in certain sectors of the State mechanism and public administration. The problems faced by Greek businesses and households as a result of the government's modus operandi multiplied due to the government's **high degree of involvement in the production process** – especially in key sectors of the economy, such as power generation and transportation. The creation of **highly complicated structures** and a **bureaucratic modus operandi** gradually came to dominate in those sectors.

To remove the barriers to business activity and to make things easier for citizens, it is necessary to **radically change the Greek State's role in the economy – both its structure and process**. The State's lack of efficiency as a producer demonstrates that its involvement in the production process must be **limited to core public goods and services**, such as national defence. As far as its structure and operations are concerned, it is essential to **merge departments and responsibilities, to clarify the organization, and to reduce and simplify**

procedures dealing with citizens and businesses. The **decentralized element in the government** must be significantly improved in the new State architecture, thereby limiting the State's excessive growth and showcasing local needs and potential. The establishment and operation of reliable **auditing mechanisms** will eliminate corruption and neglect or breach of duty, making the new structure more efficient.

The most important factor in successfully restructuring the production sector and implementing reforms is, undoubtedly, achieving **the highest possible involvement of society in both ventures**. The promotion of the new economic model will be maximized by providing access to the majority of Greece's population. Effective inclusion of traditionally less empowered groups (such as young people) in the new developments and prospects **must not be left to chance**. On the contrary, it is vital to establish key **initiatives** to encourage and support this effort. More specifically, a set of relevant measures is needed to help groups, which over recent years **experienced social exclusion (e.g. young unemployed), be reintegrated into society**. This will help formulate a **new social contract** by providing **incentives and new opportunities (e.g. on education, the labor market, social security)**

To implement the four pillars of reform policy, this study analyzes the reforms which have been completed and all those that need to be implemented to complete the reform process, by looking at nine separate areas:

1. Justice
2. Tax code
3. Social security system
4. Youth unemployment
5. Education system
6. Research and innovation
7. Corruption, bureaucracy, and overregulation
8. Public procurement
9. The export sector

1 Faster and More Effective Justice System

Reforms must seek to foster citizen and business trust in the administration of justice

Developing an effective system for administering justice is **critical to** making the **economy effective and attracting foreign direct investments** as it fosters investor trust in dealings with Greek companies and the State.

Having realized the need to modernize and improve the justice system, the Greek government has made major attempts to promote its speed and effectiveness (for example, **a fast track system for trials concerning strategic investments**). However, this effort must continue even more intensely by institutional and legislative interventions that promote the timely issuing of judgments, while ensuring the integrity of the justice system. In addition, future reform initiatives must be targeted to **fostering citizen and business trust** in the justice system.

Major reforms that have been implemented to date:

- **Fast track** system for trials concerning strategic investments circumvents certain legal barriers that have in the past dissuaded major investments in Greece, making the environment more attractive for foreign direct investments. In addition, the government has introduced faster procedures for **compulsory enforcement/seizures** to help settle cases and to free up transactions which have generated favorable economic results. The rulings of the higher courts are also being directly implemented in **‘pilot judgment cases’** by the lower courts. This makes the justice system faster and more effective because lower courts now have guidelines they can follow. It also makes the justice system safer since the judgments of lower courts are now based on those of the higher courts.
- At the same time, **institutional reforms have been made to bolster the role of mediation**. **Mediation** has been upgraded to foster alternative dispute resolution mechanisms, leaving recourse to the courts as a last resort. This will help unclog the courts by removing a large number of cases, and will also utilize more cost-effective dispute resolution procedures. At the same time, **court capacity** has been expanded by increasing the number of judges and by better allocating cases among the courts, resulting in faster and more effective judicial resolution.
- **Targeted policies to ensure faster management of legal barriers**. The immense volume of criminal complaints has been given a new **procedural treatment**. For example, in most cases, mandatory preliminary investigations for misdemeanors have now been abolished and anonymous complaints are placed in a separate file. This has helped simplify and speed up the system. At the same time, the **injunctive relief procedure** has been simplified and accelerated, saving money for both the litigants and the State.

Immediate future priorities to ensure a faster and more effective justice system:

Faster justice system

- **Reform court administration by introducing modern tools and management principles**. It is essential to constantly **manage court performance** to make the justice system more efficient. Every year, the courts will set specific targets and they will be

assessed against those targets (a similar mechanism exists in Denmark). It is also vital to install and use **state-of-the-art IT systems** in the courts to ensure faster and more effective administration of justice (similar reforms have been introduced in Denmark, with e-justice, and the Netherlands, by digitizing court processes), and to create a comprehensive **electronic register of court cases**. At the same time, it is necessary to **create an online system for electronic submission of case files**. That will give judges more time to work on cases that are now undergoing major delays.

- **Innovative institutional reforms**. A mechanism needs to be put in place to allow **fast rulings** on certain cases – with the proviso that both parties consent to this process. There would then be no right to appeal against the ruling and this would help curtail the volume of cases and ensure that the main priority of litigants is to obtain a ruling within a specific timeframe (a similar mechanism exists in the Netherlands). **Cases could also be grouped together after applying specific criteria**, such as size of the compensation being requested or time required for the case (for example, civil cases of up to €15,000), allowing for a targeted approach. Changes also need to be made in the legislation so that the justice system **does not promote immediate recourse to the courts**. This would lead to a drop in the number of new incoming cases. It is also essential to **strengthen the copyright and intellectual property rights law** by setting up special tribunals for case hearings on such matters. To this end, it is proposed that judges receive special training on issues of intellectual property rights.
- The **operational model for justice must be overhauled** to meet current needs more effectively. **Posts held** by judges and judicial functionaries in Greece's courts **should be reallocated to reflect actual needs**. For example, between 1996 and 2006 there was a 15 percent increase in the number of judges at the Thessaloniki Court of Appeals, whereas in the same time period, the number of cases being tried rose by around 113 percent. Reallocating judges would ensure that justice is delivered faster, and equalize the pace across the country. At the same time, given the sheer volume of pending cases, it is important to **extend court hours** (from three to five o'clock p.m.) and to **reduce the number and length of court holidays**. At present, courts operate at below full capacity for three-and-a-half months of the year (two-and-a-half months in the summer, and the rest at Christmas and Easter). In addition, if a case is adjourned the judge must provide **adequate reasons** for doing so, and he must also undertake to try the case on the new hearing date. Moreover, we propose that the **number of permissible adjournments be significantly reduced**.

More effective justice system

- **Targeted legislative reforms and better training for the judiciary**. To facilitate this, it is important to change the **Greek Bankruptcy Code** to make it easier and faster to wind up and liquidate companies that have viability issues. This would free up their assets and accelerate the liquidation of their property, while also eliminating any repercussions from the cessation of their operations. It is also vital to improve the quality of legislation by **faithfully complying with the relevant OECD rules**. For example, by excluding irrelevant provisions in unrelated laws. This will lead to a more uniform body of law and avoids legal confusion which makes the system of justice ineffective. Also, we propose that **attorneys should have a higher degree of responsibility** should meet more stringent formal requirements and face serious civil, criminal, and disciplinary liability

(disbarment) in the event of infringements. Members of the judiciary must also receive better **training** on the basic principles of the economy, markets, and businesses so that they can better understand business cases and handle them more effectively.

Best practice: **The Netherlands** has made remarkable progress in ensuring a faster and more effective system of justice and has achieved tangible results within a short time period. The government has digitized court processes, allowing Dutch courts to view videos of trials, to conduct remote interrogations, to have direct online connections to numerous government agencies such as the police, tax offices, the immigration office, and so on. Digitizing the courts has allowed cases to be more effectively managed, has sped up procedures, and has helped to dramatically reduce costs. Today, cases before the Dutch courts may be resolved within a matter of a few days. At the same time, the government has simplified procedures, especially in civil cases, and set up a group of experts (for psychometric analyses and DNA tests, for example) who are on standby to help resolve cases more rapidly and effectively.

2 A Stable, Simple, and Predictable Tax Code

In addition to combating tax evasion for the purposes of fiscal consolidation, the tax code must promote simplified procedures and overall stability in order to become attractive to foreign investments.

The tax code is one of the most important factors in enhancing the competitiveness and outward-looking focus of the economy. A modern, efficient tax code promotes entrepreneurship and creates an attractive environment for investments.

To this end, the current Greek government has passed important laws to reform the tax system, and has managed to significantly strengthen the capabilities of the tax-collection mechanisms and enhance the legal framework for combating tax evasion. To **increase the effectiveness of the tax administration**, the government planned and implemented **new IT system** and rolled out **new processes** to make tax audits easier, faster, and more effective. In the near future, in parallel with continuing the improvements and modernization of the mechanism to combat tax evasion, emphasis must be placed on **attracting investments by reducing tax rates, simplifying tax law provisions, and ensuring the stability of tax rules**. This will necessitate, at least in the medium term, a predictable tax system. Between 2009 and 2012, 582 circulars were issued on tax and customs issues – an obvious indication of the complexity and the lack of stability in the tax system.

Major reforms that have been implemented to date:

- **The government has instituted major reforms that have placed emphasis on social justice and combating tax evasion.** In particular, extensive use of **presumed income taxation** has been introduced to cover a large number of individuals who had not been subject to direct taxation in the past. The enlargement of the tax basis allowed for greater equality in the allocation of tax burdens, thereby improving social justice. At the same time, there was an **increase in fines** in cases where tax returns were not submitted or were submitted late, and a comprehensive procedure has been put in place to stop companies that repeatedly fail to issue receipts from continuing business. In addition, a **permanent General Secretary for Revenues** has been installed with sweeping powers and a five-year term in office, allowing him to perform his duties without interruptions due to elections or government reshuffling. At the same time, **important agencies involved in combating tax evasion have been given new powers.** For example, the Fraud Squad now has powers to impose tax fines.
- **Improving online systems for more effective implementation of the tax regime.** An Auditing Services Integrated Information System (**ELENXIS**) has been put in place, which allows centralized selection of cases to be audited. **TaxisNet** was also upgraded to make it easier for taxpayers to fulfil their tax obligations. Also, thanks to the use of online systems, actual physical contact with the tax office and tax inspectors has been reduced, thereby speeding up procedures and reducing chances for corruption. At the same time, the **data cross-checking program** was modernized in order to include data from other countries which have been obtained in the context of tax information exchange agreements.

Immediate future priorities to make the system simpler and more predictable:

Stability, simplicity, and predictability of the tax regime

- **Improving the stability of the tax code,** so that it is more predictable, creating a friendlier business environment and making it easier for businesses to relocate to, and make investments in, Greece. To that end, it is essential to simplify and **improve the stability of tax law provisions,** and also to make the tax code **internationally attractive and competitive** for a period of at least ten years, **by passing a law of enhanced majority** that would require a qualified parliamentary majority (more than 60 percent of MPs) in order to be enacted, thereby limiting the possibility for changes under new administrations.
- **Simplifying the tax system to help taxpayers fulfil their obligations.** To achieve this, complexity must be reduced by creating a **more uniform tax code** with a drastic reduction in the number of exemptions and the establishment of common tax rules for all businesses to reduce the potential for corruption, increase the predictability, and ensure equal treatment for Greek and foreign businesses. The **tax legislation also needs to be codified** to remove ambiguities and decrease the margin for subjective assessments by tax inspectors. The current method of offsetting VAT obligations with money the State owes to businesses must be extended to improve business liquidity and to promote businesses' confidence in their dealings with the Greek State. Finally, **adopting a**

common code for different groups and a stable income tax rate would improve the current situation in many respects.

Combating tax evasion

- Successful reforms to combat tax evasion must be based on **three main pillars: effective tax audits, reduced corruption among employees in the tax-collecting agencies, and cooperation with foreign governments to exchange tax information.** Initially, **tax audits must be strategically planned** after a qualitative analysis of tax evasion data (per geographical area, per specific product, or per sector or activity), thereby making the effort to stamp out tax evasion more targeted instead of focusing on general audits of randomly selected businesses. A similar policy was implemented in Denmark, where targeted audits were carried out in specific sectors and geographical areas. This drastically reduced tax evasion there. It is also necessary to **unify and consolidate tax and social security collection mechanisms** to limit the number of transactions conducted by businesses. This will save time and money for taxpayers, and will significantly reduce social security fraud. It is essential, as well, to immediately require **tax office staff to submit, on a regular basis, asset declarations**, and to undergo frequent audits of their assets to reduce corruption and to enhance transparency. In addition, the government must give high priority to **bolstering international cooperation** with foreign tax authorities, to exchange information on taxation issues and adopt practical methods for dealing with new forms of tax evasion that are emerging in the globalized market. **Taxpayers must also keep abreast of changes in the tax laws** via publications that outline their rights and obligations, and practical guidelines about how they can fulfil their obligations.

Attracting foreign investments

- A gradual **reduction in tax rates** and an overall focus on **reducing income tax** will attract new investments and increase competitiveness. In addition, it is proposed that the tax code suggested by the **OECD** be adopted to ensure a reliable, clear-cut tax system and tax requirements. This would make it easier for foreign investors to calculate taxes, and Greece would become a more attractive destination for foreign investments. Moreover, the current ambiguous and complicated code governing taxation advisory services must be modernized. To that end, it is proposed that **international standards on the standardization of taxation advisory services be adopted** to make them more comparable internationally and to improve competitiveness, thereby facilitating the shift to a more friendly tax environment that places emphasis on encouraging entrepreneurship.

Best practice: In 2010, the **UK** introduced a major reform of the tax regime to create an environment friendly to business and also to combat tax evasion. Among other things, corporate tax was reduced to 23 percent, bureaucracy was decreased, and legislation was simplified. Furthermore, the government spent more than €1 billion on improving tax-collection mechanisms and launching information campaigns about tax evasion. It also reinforced resources so that tax evasion cases could be fast-tracked through the courts, resulting in a significant increase in prosecutions. At the same time, it upgraded online systems (such as Connect), and within a short time period managed to bolster its revenues by

about €2 billion. The government also signed transnational agreements to automatically exchange information with tax authorities abroad.

3 A Sustainable Social Security System

Reforms are also needed to key structural elements of the social security system to make it sustainable, by adding a revenue-generating element to its first public, collective pillar and by promoting the second and third pillars.

Long before the fiscal crisis started, in the early 2000s, the Greek social security system began to experience difficulties and then to show more intense signs that its sustainability was at peril. The increasing problems kept rising and have continued to rise and become more acute because of a series of factors, the most important of which are: a) a major change in key demographic trends, b) a low average number of years for which contributions are paid and a high rate of income top-up by pensions, c) complex legislation in the social security system and fragmentation of the system into a large number of funds, d) social security contribution fraud and an inability to collect assessed contributions, and e) limited (oftentimes contested) utilization of the assets held by social security funds.

Despite the reforms to the social security system made in the 2000s, its medium-/long-term prospects at the end of the decade signalled that additional reforms were needed. Extensive changes to structural elements of the social security system over recent years (but not to the level of pensions) were made by Laws 3863/2010, 3865/2010, 3918/2011, 4052/2012, and 4093/2012. They related to **merging main and supplementary insurance funds, segregating the health care sectors of funds from their pension sectors** and unifying the health care sectors, **increasing the minimum period for which contributions were payable to obtain full pension entitlement and the general minimum age limits for retirement, changing the method used to calculate pensions**, and so on. On the other hand, major reforms to the key structural features of the social security system have not been made to date, such as, **bolstering its revenue-generating capacity, adding a revenue-generating element to the first public, collective pillar of the system, and promoting the second and third pillars of the social security system**. In addition, it is feasible to further rationalize spending, by **increasing the use of generic medicines, and to further restructure social security providers** to cut costs and eliminate the practice of allowing insured persons to receive different levels of service. Future reform efforts must focus on these matters.

Major reforms that have been implemented to date:

- **Extension of the period for which contributions are payable before retirement.** The minimum duration of the contribution period for full pension entitlement was lengthened to 40 years. At the same time, Law 4093/2012 increased the minimum full pension age to 62 and the general minimum retirement age to 67, irrespective of gender.
- **Change in how pensions are computed.** All historical income from work is now taken into account in computing the pension, not just income from recent years. The annual rate of income top-up by the pension has been reduced. There has been a gradual reduction in the top-up rate in conjunction with the number of days of insurance.
- **Restructuring of the social security funds.** The main social security funds have been merged into six funds. All supplementary funds have been merged into the Unified Supplementary Insurance Fund (ETEA Fund). The health care sectors of all main social security funds (IKA-ETAM Fund, OGA Fund, OAEE Fund, OPAD Fund) have been segregated from their pension sectors. The health care sectors were then unified under the National Healthcare Service Provider (EOPYY). Recently, the primary health care units run by EOPYY were integrated into the organizational structure of the National Primary Healthcare Network under Law 4238/2014.
- **Rules relating to special categories of insured persons have been made more logical:** The list of hazardous and unhealthy professions was revised by Law 3863/2010. They now only cover 8 percent of employees.
- **A change has been made in how employees in the public sector are insured:** All new recruits are now insured with the IKA-ETAM Fund.
- **Medicare expenses for the social security system have been made more logical and transparent:** An electronic prescription system has been put in place for all health care services provided by social security funds.

Key future priorities to strengthen the sustainability and fairness of the social insurance system:

Reciprocity of the social insurance system

- **Addition of a “reciprocity” strand to the first pillar of the social insurance system** in order to link the contributions of the insured to the benefits.
- **Strengthening of the second and third pillars of the social insurance system.** To promote the second pillar within this framework, establish a Professional Insurance Fund (P.I.F.). This was facilitated by L.3029/2002 through: a) a reduction in the minimum number of company employees required to establish a P.I.F. (100 persons), since small and very small businesses form the majority of businesses in Greece -- a much larger proportion than in other countries, b) provision of tax incentives to employers for the establishment of P.I.Fs, c) simplification of the existing bureaucratic processes involved in their creation, d) allowance of P.I.F. establishment by multiple employers, not currently provided for in the existing legal framework, and e) inquiry into state participation in P.I.Fs by subsidising insurance contributions, particularly for low incomes, as exists in Germany, the Czech Republic, and elsewhere. The existing

supplementary insurance can be transformed into professional insurance with open options regarding compulsory participation.

The character of the **third pillar** should remain open. It is, however, essential to **clarify the institutional role of private insurance companies**. These companies should be given **total freedom to participate in the structures of the second pillar**. **Subsidy and/or tax concession systems** are being applied worldwide to strengthen private insurance (for example, the Riester program in Germany). In Greece, the relevant tax exemptions were cancelled by Law 4110/2013 within the framework of the budgetary adjustment process. The broader effectiveness of this regulation on a mid- and long-term basis is questionable, according to international experience, as has also been noted by the Bank of Greece¹.

Taking into account the causes, and the way in which the recent global financial crisis has spread, a basic precondition for employees to participate in the second and third pillar of the social insurance system is to **reduce the potential investment risk involved in investment-pension schemes**. A **revision and modernization of the relevant regulatory framework and the role of the relevant supervisory authorities** could make a decisive contribution to this aim, together with subsequent regular study into any further need for adjustment. In the United Kingdom, the Red Tape Challenge is an initiative focusing on this objective.

Rationalization of state expenditure on the social insurance system

- **Increased use of generic drugs**, in the framework of the efforts to reduce medical/pharmaceutical state expenditure.

Restructuring of social insurance bodies

- **Consolidation of primary insurance funds** so that they do not exceed three funds (employed, self-employed persons, farmers).

Best practice: In 1998, **Sweden** restructured its social insurance system and developed a healthy, stable and, to a very large extent, pay-as-you-go social insurance system. The mixed contribution of the employees/employers was set at 18.5 percent of employee pay, of which 16 percent is pay-as-you-go and 2.5 percent is deposited in a prefunded pension fund, thus upgrading the sustainability of the country's social insurance system. Sweden also implemented an innovative approach to personal accounts. The government negotiates the fees with private mutual funds in which the contributions will be invested, but employees are free to choose the mutual fund in which they prefer to invest their money. In this way, all contributions will be invested by the government, which has greater negotiating power and can secure economies of scale, thus reducing administrative and other related costs. At the same time, the insured will be able to switch mutual funds whenever they choose, on condition that they cover the cost themselves.

¹ Monetary Policy 2012-2013, Bank of Greece, May 2013

4 Combating Youth Unemployment

Targeted employment and entrepreneurship programs, enhanced linking between the educational system and the labor market, and advisory support for the unemployed, can gradually mitigate the major problem of youth unemployment.

Youth unemployment has always been one of the largest structural problems of Greek society and its economy. The youth unemployment rate has reached 60 percent, which makes it the most critical social and economic issue. It is of particular importance to effectively tackle this crucial problem in order to achieve continuing support for the reform efforts and to have a chance for completing a new social contract.

Within this framework, the Greek government has taken immediate action in order to tackle the problem (**reduction of minimum wage, implementation of specific programs for strengthening youth employment**), but, given its extent, the search for the political answer to youth unemployment and the relevant reforms should be further accelerated by **strengthening targeted programs, developing incentives** for the recruitment of unemployed youth, **connecting the educational system to the labor market, and providing specialized advisory support to unemployed youth** (similar reforms were made in Germany, Austria, and Korea).

Major reforms implemented to date:

- **Priority has been given to reforms regarding the employment status of youth and to linking education and the labor market.** A first focal point for tackling youth unemployment was the **reduction of the minimum wage by 32 percent for youth aged up to 25 years**, which significantly reduced labor costs and made it easier for businesses to recruit younger employees. In addition, incentives were provided in the framework of the action “Traineeship Actions in Tertiary Education” for the **acquisition of work experience by students through traineeship** (including pay for every month of practical training, insurance coverage against risk, accidents, etc., throughout its duration). Furthermore, through the implementation of **transition programs from education to the workplace** (school-to-work-programs), unemployed youth have acquired initial work experience (through guidance, advisory services, skills training), tailored to their specific needs.
- **Targeted programs for strengthening youth employment.** The government promoted the program “labor market entry voucher for young people aged up to 29 years” by **providing vouchers** for training in specialized skills, in combination with career guidance and five-month work experience. Moreover, the program “promoting youth innovation and entrepreneurship” has strengthened the **entrepreneurial initiatives that incorporate elements of innovation**. The aid in question includes financing (up to €10,000 per business) and advisory support provided through thematic workshops, guidance services, business missions, and exhibitions. At the same time, the program “entrepreneurship in rural areas” aimed to reach young people aged up to 35 years, through their **employment in the agro-nutritional sector**. This aid will be provided through continuing vocational training (with a training allowance of €5 per hour) on the subject of establishing and managing a farm unit, and advisory services regarding the preparation and development of business plan information on access to sources of finance. Moreover, the government has supported youth employment in **research**

activities through the program “employment of highly-skilled staff”, by financing 70 percent of the companies’ total wage costs for unemployed youth. Finally, a program has been promoted on “supporting youth to create social cooperative businesses” that will provide **education on social economy and social entrepreneurship**, training in the field of specific business activities, support on the elaboration of a business plan, and advisory services to potential social entrepreneurs.

Key future priorities to directly tackle youth unemployment and long-term unemployment:

Targeted interventions and innovative programs that promote employment

- **Stimulating the market by implementing targeted policies and programs to promote work opportunities for youth.** As a first step, the government should directly boost the **Public Investment Program**, given the increased co-financing rate now provided by the Structural Funds of the European Union (95 percent) and the high multiplier for income and creation of employment through these investments. In addition, targeted actions are required in order to promote the **employment of young apprentices** at private businesses, (an example is the six-month subsidy for SMEs that hire unemployed youth). Moreover, the government can create a group of **special coaches** who will help the young people employed by these businesses to gain required skills so that they may be directly hired by the employers when the subsidy has expired. At the same time, it is recommended that the State cover the social insurance contributions of the apprentices for a short, specified period following the conclusion of the program, thus providing an additional incentive for their recruitment. Furthermore, it is essential to establish **specific measures for granting unemployment benefits**, in order to tackle long-term unemployment and provide an incentive for unemployed people on benefits to accept work offered to them within a short period and re-enter the labor market. At the same time, **an Internet platform should be created** (using the Internet services of other countries as a model) that will provide full information ranging from jobs available in the public and private sector and online training, to advisory services for youth career guidance. Finally, we recommend the implementation of a **targeted program for unemployed youth with limited employment prospects** (for example, those who have not completed secondary education or former drug users). This six-month program (similar to **Joblinge in Germany**) will include traineeship potential and special advisory support.

Connecting education to the needs of the labor market

- It is a common problem in Greece that young people do not have the skills or knowledge required by businesses (**skills mismatch**). Therefore, **the government must focus on suitable training for youth according to the needs of the labor market.** To this aim, what is recommended is the creation of a **targeted educational program** for unemployed youth that will focus on giving them the skills and knowledge needed in the economy, especially in the tourism sector (similar to **JobBorse in Germany**). This program would ensure that unemployed youth acquire skills in sectors of the economy where there is low labor supply. Simultaneously, the **creation of special dual apprenticeship programs** is required, through which students will spend approximately 75 percent of the time on specific courses at a private company, gaining useful, practical experience, and 25 percent of the time at their schools, acquiring the necessary theoretical training (in line with the dual apprenticeship programs of Austria and Germany). Moreover, the government should **stimulate lifelong training** for more effective management and adjustment of young people's careers.

Best practice: The crisis in Asia in the late '90s left **Korea** economically damaged. Nevertheless, the Korean government acted quickly and effectively in promoting reforms and managed to restructure the economy and achieve a major reduction in unemployment (today, the unemployment rate is at 3.5 percent). The government focused primarily on strengthening the educational system and on the adoption of targeted policies for the creation of employment, mainly for youth. The country established one of the best educational systems worldwide and its universities became leaders in research and technology. At the same time, the government used targeted policies to tackle youth unemployment. It enacted tax exemptions for companies hiring employees from technical or special secondary schools, and subsidized SMEs for recruiting young people, among other things. In addition, it promoted specific programs to support the creation of jobs such as the social entrepreneurship program and the assistance program that provided financing, facilities, and equipment to startups.. Moreover, it enhanced its employment information network through the Internet (Youth Unemployment Service) with the provision of a broad range of information -- from vacant posts in the public and private sector, to advisory services on youth career development.

5 Constant Evaluation and Greater Flexibility in the Education System

Substantial reform of the education system involves its decentralization and linkage to the labor market, multi-faceted support of innovative business ideas, and constant evaluation

In the 21st century, global affairs are formulated by the rapid advance of technology and the evolution of knowledge and internationalized competition at all levels. Within this dynamically changing environment, education has a twofold role: to help create people who will become active citizens, with a broad education, critical thinking skills, and enhanced ability for cooperation; and, to equip people with the necessary skills to be smoothly integrated into the labor force and contribute to economic progress through new business ideas and innovation.

Despite the increasing educational requirements, the **effectiveness of the education system in Greece**, as regards the provision of basic knowledge, is **on a downward spiral**. According to the most **recent results of the PISA assessment** -- a standardized OECD program that evaluates the knowledge, qualifications, and perceptions of students -- in 2012 the **performance of Greek students showed a drop** in all cognitive subjects since 2009. Subsequently, in the overall ranking, Greece **dropped from twenty-fifth to forty-second place**. Nevertheless, the modernization of education can be achieved, even in the midst of the budgetary adjustment program, through structural changes and interventions that cost little or nothing. In recent years, political decisions of this kind have focused on the **restructuring of the organizational and supervisory bodies of the education system**, the **promotion of vocational training**, the **strengthening of local authorities**, and the **restructuring of the administrative bodies of universities**. Over the next several years, the main reform priorities should include **strengthening the autonomy of education** at all levels, **continuous and substantial assessment of the staff and structures**, **greater linking of post secondary education to the business community**, and **support for research activities in universities**, with a focus on their commercial side.

Major reforms implemented to date:

Organization of the Education System:

- **Institute of Educational Policy (IEP):** The IEP replaced the Pedagogical Institute and is responsible for scientific research into subjects related to primary and secondary education; also, it provides continuous scientific and technical support for the planning and implementation of the Educational Policy.
- **Authority for Quality Assurance in Primary and Secondary Education (ADIPPDE):** Established in 2013, its main goal is to assess the quality of the educational work carried out in primary and secondary education, and to support the Ministry of Education in improving the planning of the national strategy for both educational levels.

K-12:

- **Regulation of the institutional framework for the operation of Model Experimental Schools and Kindergartens**, with the possibility of a link to other school units in primary and secondary public and private education.
- **Secondary education restructuring (Law 4186/2013)**. This includes the **General Lykeio (upper secondary school)**, **Vocational Lykeio (EPAL)**, and **Vocational Training Schools (SEK)**. Through the same law, establishment of **Special Vocational Lykeia (EEL)** for graduates of Vocational Gymnasio (Lower Secondary School) and of Special-General Gymnasia and Lykeia, and also establishment of **Special Vocational Gymnasia**, which are attended by graduates of general or special primary schools.
- **Establishment of non-formal education bodies** (Vocational Training Schools, Vocational Training Institutes, Lifelong Learning Centers, Colleges). **These are institutions** that provide educational services in an organized setting outside the formal education system.

Post Secondary Education:

- **Enhancement of the regulatory framework of the self-governance, structure, and administrative bodies in Higher Education Institutions (HEI) (Law 4009/2011)**. According to this law, the faculty will serve as the main administrative and academic unit in each institution, and the institution will be governed by its council. **The levels of**

academic study are classified as **first** (undergraduate), **second** (postgraduate), and **third** (PhD) cycles. In addition, provisions regarding **assessment**, teaching and other **staff**, and regulations on **HEI financing** and **quality certification in higher education** are also included.

Other reforms related to private education and foreign schools in Greece:

- **Possibility for Greek students to attend foreign schools that follow a European curriculum or a combined third country/European curriculum**, with no restrictions, thus increasing competition in the field of private education.
- **Possibility for private primary and secondary schools** to freely determine their own program, after the end of the timetable mandated by law, thus increasing their level of independence on this issue.

Key future priorities for constant quality improvement and greater flexibility in the education system:

Decentralize the management of the education system.

- **Transfer major administrative and economic competencies from the Ministry of Education to regional services**, strength decentralized institutional processes, and reinforce the financial resources required for their implementation.

Give autonomy to primary-secondary schools.

- **Provide greater autonomy to school units**, so that they may adopt a key role in the programming and organization of school life by consolidating the role of the **teachers' associations as a decisive factor in the schools' organization and operation**. **The directors of school units should be given more freedom in the selection of the teaching staff.**
- **Disconnect Lykeio from the entry process into post secondary education** by establishing an entry system that includes examinations set by the HEI.

Expand and upgrade all-day schools and the unified revised program for primary schools.

Further support secondary-post secondary vocational education.

Continue training assessment for teachers in primary-secondary education.

- **Provide continuous training for teachers in primary-secondary education** so that they may update their knowledge and improve their skills and teaching methodology.
- **Ensure effective operation of the Quality Assurance Authority** for primary and secondary education for the **continuous assessment of staff and school units**.

Provide greater autonomy-flexibility-meritocracy in post secondary education.

- Ensure effective implementation and practical support of the relevant law, with enhanced **focus on the autonomy, extraversion, and accountability** of each institution. A fundamental principle that will improve effective management of post secondary

education is securing **greater administrative autonomy** on financial and human resource management issues. The **flexibility of the educational process and research efforts** can be enhanced by providing opportunities for greater mobility to the teaching-research staff. This aim can also be pursued by **facilitating cooperation** with the private sector and with academics and researchers from other countries. In order to support the meritocratic functioning of post secondary education, it is necessary to **empower the assessment mechanisms at all levels (institution, school, and teaching staff) and allocate the available resources accordingly**. Moreover, it is essential to **apply stricter student transfer criteria** within the framework of the Institutions' administrative autonomy.

Link post secondary education to the business community.

- Academic programs in post secondary education, apart from enhancing learning, must provide **knowledge and key skills that will respond to the needs of the labor market and its developments**. Along these lines, it is necessary to **reinforce contacts with the business community and chambers of commerce**. Also, the link to the labor market can be further stimulated by **promoting the concept of student traineeships**.

Best Practices: The **Finnish education system** is considered to be one of the most successful worldwide -- based on the results of the Programme for International Student Assessment (PISA) of the OECD. One main feature of the Finnish education system is the **autonomy** provided both to the school and to educators to freely formulate their study program/teaching methods. In addition, **the institutions providing educational services (schools) are responsible for the assessment** of their educational work. At the same time, a fundamental principle of the education system in Finland is that **passive memorization is not encouraged**, since the primary goal is absorbing the process of knowledge acquisition (research and evaluation of sources) rather than knowledge in itself.

6 Promoting Research and Commercially Leveraging Innovation

In order to create an efficient National Innovation System, cooperation should be fostered on all possible levels (regional, public-private sector, business partnerships,) along with the commercial exploitation of innovation.

The **competitiveness** of an economy depends not only on relative cost and prices, but also on **technological content, differentiation**, and the **quality** of products and services. A basic precondition for monitoring global technological and productive developments is to **improve the possibility for Greek society to acquire and use knowledge -- and also produce it**. In order to achieve this aim, it is imperative to **focus on research and innovation**, and the **dissemination of knowledge**. The decisions made in recent years to support research activities concern the **creation and operation of public institutions and services involved in the planning and implementation of research projects and the provision of innovation incentives to universities**. Nevertheless, what is required is an escalation of the intervention policies aiming to provide **additional incentives for research activities, a strengthening of**

cooperation in the research field, and continuation of the institutional consolidation of the country's Innovation System.

Major reforms implemented to date:

- **Creation of public institutions for the planning and implementation of research policy.** Establishment of the National Council for Research and Technology (ESET). ESET is the highest State body consulting on the formulation and implementation of the National Policy for Research, Technology, and Innovation. **In addition to ESET, a private legal entity has been set up in each HEI** in the form of a limited company for the **effective management of its movable and immovable property** and the **use of funds** from any source. Its responsibilities include the execution or management of research, technological, and developmental programs and projects, **strengthening the link between research and production, and the provision of products and services for a price within the framework of the institute's research objectives.**
- **Provision of incentives for fostering innovation.** Establishment of Centers of Excellence at HEI; **additional public funding** using **indicators of excellence in research.**

Reform future priorities to promote research and commercially exploit innovations:

Supporting cooperation in the field of research

- **Boosting the cooperation of the public-private sector in research and innovation.** In order to tackle the relative lag of Greek businesses in developing research processes, **universities and research institutions must provide support and guidance to the business sector.** In the area of research, potential benefits for both the private and public sector can come from **creating PPPs** for the operation of **“open” systems for innovation management and technological platforms** in research institutions and universities. The **business community** can also play an **advisory role in universities' research planning** by assisting the relevant agencies in making research-related decisions based on the needs of the market.
- Further promotion of research activities and innovation will arise through state support for the creation and development of **new cooperative models for innovation production** (such as business clusters, venture capitals, business incubators).

Providing incentives for research activities

- Enable research bodies and universities **to exploit research results** (direct commercial exploitation, establishment of/participation in relevant businesses, or establishment of technological enterprises). On the **businesses' side**, and in line with international practices, **a tax relief system can be instituted** (for example, rebates on a portion of R&D expenses, VAT exemption for supply of equipment), as well as **social insurance concessions** (partial/full exemption of employer contributions for research center business staff involved in research activities, and so on).

Further institutional consolidation of the Innovation System

- **Creating the position of National Coordinator for Innovation**, in line with the model applied in other countries (such as Israel), and **establishing a National Research Foundation with a purely supporting role**, similar to the European Research Council in the EU or the National Science Foundation in the U.S., are essential steps in order to foster excellence and connect, at a central level, with similar institutions in countries that hold the lead in the field of research. Another essential step is **boosting the planning and implementation of R&D policies at a regional level**. Such a development will make possible the best use of the opportunities provided during the 5th Programming Period 2014-2020 through the **community programs on Smart Specialization (RIS3)**.

Other interventions:

- **Promoting innovation**. Collecting global information on existing innovation technologies in national and regional databases, along with the **creation of an electronic platform that will encourage the exchange of information** between businesses, universities, and research bodies regarding R&D results.

Actions relating to several of the above issues are included in the **draft law on the formulation of a National Strategy for Research, Technological Development, and Innovation (ESETAK)**, the consultation for which was completed at the end of 2013.

Best practice: **Israel** has become a global leader in research and innovation through the implementation of targeted policies and a well-planned national strategy. In 1984, the government decided to set the development of research and innovation as a key priority. Its plan was built on three pillars: first, **a major increase in spending for research and innovation** which accounts for approximately 5 percent of GDP annually; secondly, the **establishment of independent services that support research and innovation**, like the Office of the Chief Scientist and the National Council for Civilian R&D, which provide financial/advisory support through specific programs (such as helping young entrepreneurs build their business plans and record their innovations); thirdly, the **promotion of cooperation between universities and industry**. Universities in Israel have encouraged foreign multinational companies to build research and innovation facilities in their country (Intel and Motorola among others), but have also founded and manage their own technological companies. This strategy has led to exports of technological products valued at about €40 billion annually.

7 Stamping Out Corruption, Bureaucracy, and Overregulation

The reform effort should be continued at a faster pace with additional institutional changes (independent anti-corruption authority) and targeted actions (e-government).

Stamping out corruption, which stems directly from bureaucracy and overregulation, is an important goal that is central to the new role of the public sector. Effecting fundamental change requires a **public sector that is small, modern, and flexible; one that fosters entrepreneurship and bolsters competitiveness** in the economy. To this end, the public

sector needs to extricate itself from bureaucracy and overregulation, and promote transparency in order not only to make things easier for citizens and businesses in the fulfilment of their obligations, but also to attract foreign direct investment.

In this context, the Greek government has made combating corruption, bureaucracy, and overregulation its top priority, and has proceeded directly with targeted actions such as the creation of **a national plan against corruption**, the establishment of **a steering committee and a national coordinator**, and **the modernization of the permitting process, among other things**. However, the government's initiatives against corruption and bureaucracy through institutional departments (for example, the creation of an independent anti-corruption authority) and through taking certain actions (e-government, carrying out swift prosecution of senior officials in corruption cases, etc.) must be continued and enhanced.

Major reforms implemented to date:

- **Targeted legislative measures and the formulation of a comprehensive plan to combat corruption.** Within this framework, **modernization of the process** for establishing a new company has been carried out by removing delays and sweeping aside bureaucratic obstacles to starting businesses. The modernization of this framework will enable more reliable monitoring, as it is based on standards and specifications and it will allow for reviews to be conducted by accrediting bodies in addition to the public administration. Furthermore, **a Steering Committee and National Coordinator** for combating corruption has been established for the purpose of monitoring and evaluating the implementation of the National Strategy against Corruption, as well as for coordinating all stakeholders. At the same time, **a national "Transparency" plan** against corruption has been put together based on six fundamental principles (zero tolerance for corruption, enlisting all parties for a national purpose, planning and coordination by a single body, strengthening of the legal framework against corruption, exploitation of information and communications technologies, professionalism of personnel) with the goal of eliminating illegal transactions, hiring, and provision of services. At the same time, the European Commission has assigned a **special expert** who will participate in implementing the strategy against corruption on a permanent basis and will strengthen the work of the General Secretariat for Public Investment. Finally, **educational seminars**, **have been developed and promoted** for the senior managers of the Special Services of ESPA, with the aim of boosting their knowledge and skills in detecting and combating fraud.
- **Actions to effectively cut red tape and simplify administrative procedures.** To this end, there has been an **elimination of multiple supporting documents** in administrative procedures that do not add value (for example, elimination of the submission of a certificate regarding military service for 15 separate procedures, and elimination of the requirement to submit a copy of one's police identity card for citizens making applications via KEP) which will lead to the simplification of procedures and thus to a reduction of the administrative burdens of citizens and businesses in regard to the public sector. The **HERMES Internet portal** where citizens can apply for and receive required certificates electronically, minimizing bureaucratic procedures and assisting citizens in the faster fulfillment of their obligations has been instituted.

Immediate future priorities in combating corruption, bureaucracy, and overregulation:

Creation of an Independent Authority to Stamp Out Corruption

- A prerequisite for effectively fighting corruption is the creation of an **Independent Authority to Stamp out Corruption** which will have overall responsibility and will work with the Parliamentary Committee on Institutions and Transparency. The aim of the New Authority will be the investigation, pursuit, and referral of cases of corruption to the justice system. The effective operation of such an authority will assist in the creation of **systematic and integrated electronic databases**, resulting in the expediting, simplification, and cost reduction of handling all outstanding cases. The new authority will be **assisted legally by all public services**, particularly by the police and the prosecutorial authorities. Furthermore, the existence and proper operation of such an authority must be facilitated with **e-government**, which will obviate the need for direct contact between citizens and public servants.

Development of electronic government

- Undertake concrete actions to expedite the **development of electronic government (e-government)** to help eliminate red tape and corruption, and reduce costs in public sector transactions. For example, the **mandatory submission of applications and issuance of public documents via the Internet** (birth certificates, motor vehicle registrations, passport applications, certification of military service obligations, tax declarations, and tax refund statements). **It has been proposed, as well to take advantage of the widespread use of mobile connections and smartphones** to facilitate citizen-state communication. Something similar has been implemented in India, where the government has planned to develop and use mobile applications for all public services.

Targeted institutional measures

- Upgrade the **one-stop shop center**, within the framework of Enterprise Greece, with responsibility for contacting investors and completing investment procedures. It should have a central role in coordination and processing for new business establishment for major and other investments, by region, with the assistance of local Chambers (for receipt and initial completeness check). At the same time, because disputes may arise, especially in terms of environmental impacts and land use, the establishment of a **new department** for expedited discussion and decision making -- the judges for which will come from existing departments -- is necessary. Its responsibility will be for judicial decisions on investments that will be designated by law as "of strategic value in the framework of exceptional and urgent public interest for the economic development of the country." Finally, it has been proposed that **swift legal prosecution of senior officials** in cases of corruption be instituted in order to demonstrate zero tolerance in such cases and win back citizens' trust.

Best practice: In **Singapore**, the government's promotion of e-governance played an important role in reducing corruption and bureaucracy. Before the integrated e-government system was installed, the business environment was confusing. There were long delays and a strong need for assistance from professional firms, thus increasing costs for the investors concerned. Determined to tackle the problem, the government created **Bizfile** and the

eService24 platform for 284 online services with a direct connection for filing documents, along with a system for information retrieval. In addition to reducing workloads, procedures were much faster. It became possible to update the system within 30 minutes instead of the two to three weeks previously required. It is now also possible to register and even incorporate a company in 15 minutes, while also drastically reducing the cost for the investors

8 Expedite Procedures and Enhance Transparency in Public Procurement

Simplifying the legal framework and requiring all public procurement competitions to be executed electronically will expedite procedures and enhance transparency in public procurement.

The **procedure for conducting public procurement** is critically important, as it is an area where considerable savings can be achieved, especially in countries in the process of fiscal adjustment. Reforming these procedures **contributes to the wider reorganization and transformation of the public sector**, leading to a more efficient and business-friendly public administration with multiple economic benefits. **Reforms in the national procurement system support the transition to a much-needed new growth model.** In recent years, the government endeavored to modernize public procurement through **centralization of procedures and conducting competitions electronically.** However, to further enhance the national public procurement system, the government must pass reforms **simplifying the legal framework, requiring all public procurement to be carried out electronically, and informing businesses** of new electronic procurement applications and their full range of capabilities.

Major reforms implemented to date:

- **Organizational restructuring of public procurement.** In this context, the most important policy initiative in recent years was the establishment of the **Single Independent Authority for Public Procurement (EAADHSY)**. Its key benefit is ensuring a transparent and effective system of public contracts and increased competition between local and international companies. Moreover, the organizational restructuring led to the **centralization of procedures by the contracting authorities.** This enabled the government **to utilize economies of scale** through, first, the **designation of the Health Procurement Commission (EPY) and the General Secretariat of Commerce (GGE) as Central Contracting Authorities²**; and then, the **consolidation of fragmented contracting authorities**, with the ultimate goal of reducing the number of contracting authorities by 90 percent.
- **Electronic procurement procedures.** **The National System of Electronic Public Procurement (ESHDHS)**, is an integrated information system capable of carrying out all procurement procedures electronically for every stage of the contractual agreement (submitting, evaluating, and awarding tenders, ordering, and payment). In addition, the **Central Electronic Registry of Public Procurement (KHMDHS)** department of the

² HGGE for the procurement of all products.

ESHDHS, which contains information on all public contracts for goods, services, and public works worth more than €1,000, was established to reinforce transparency and effective management of public procurement.

Immediate future priorities for expediting procedures and enhancing transparent implementation of public procurement:

Improving the legal framework of public procurement

- **Simplification of the legislative framework for public procurement**, principally through elimination of semantic confusion with regard to regulations and provisions. The **framework's improvement should come from the new responsible entity (EAADHSY)**, which will undertake the harmonization and rationalization of practices of the contracting authorities, as well as monitor **compliance of the law on public contracts**.

Further expediting of procedures of public tenders

- The **mandatory use of ESHDHS for conducting electronic competitions** is key to **faster completion of the relevant procedures**. **Training of contracting authorities and personnel** in managing public procurements, especially in the stages of designing and awarding public contracts, is also necessary for the implementation of the new system. For example, Austria has set up a center for increasing efficiency of public procurements, which provides help to contracting authorities regarding the design of public procurements. Similar acceleration of procedures can also be achieved through **increasing safeguards to reduce trivial complaints**.

Provision of advisory services

- **Create advisory guides** for providing information and practical guidance to SMEs on taking advantage of opportunities in regard to public procurements procedures. In **France** a detailed practical guide has been published that advises SMEs on how to gain access to information on business opportunities in the field of public procurement, to become familiar with the existing institutional framework, to understand the practical needs of contracting authorities, to assess their ability to enter into a contract, and to choose what strategy to follow in the process of bidding.

Focus on quality/innovative public procurement procedures

- Awarding contracts solely on the basis of minimizing cost excludes higher-quality products which may well last longer and/or be more innovative. In order to **achieve high quality public procurement at relatively low cost**, the **application of the "value-for-money" principle** will be a key contributing factor. According to this approach, the immediate purchasing cost of a product should not be the only award criterion taken into account. The product's cost over the entire life cycle (including the guarantees made by the supplier and after-sales service) must also be considered. **Innovative solutions in the field of public procurement** will also be supported by means of flexible procedures regarding submission of **tenders with better specifications and/or more capacity than**

the minimum required by the contracting authorities, thus offering new innovative products/services that could cover additional needs. For example, the **UK** has, among other things, published guidelines which describe a large number of tools and techniques for investigating innovative solutions, creating new markets, informing potential suppliers about the needs of contracting authorities, implementing new ideas and competitive initiatives in the marketplace of state procurements.

Best practice: **Japan** has developed a model system of public procurement based on transparency which is, at the same time, friendly to prospective suppliers. Specifically, in early 2000, the Japanese government revamped the legal framework for public procurement, setting up strict penalties on violators and providing incentives for companies to refrain from submitting prearranged tenders (leniency program). The government also introduced a mechanism for resolving complaints, which strengthened the legitimacy of the procedures.

9 Enhancing the Internationalization of the Greek Economy

By designing a multilateral export policy, simplifying procedures, and providing institutional support for international business networking, the challenge of changing the Greek economy into a more outward-looking one can be met.

The economic model followed by the Greek economy since 1994 has relied, to a great extent, on private domestic consumption. By contrast, the contribution of exports to GDP has been one of the lowest in the Eurozone, while the rapid rise in imports widened the deficit in the current account balance, which in 2008 reached 14.9 percent of GDP. At the same time, the fiscal adjustment program, the capital adequacy of the banking system, and the effects of the international financial crisis on liquidity, have significantly weakened household consumption. The structural weaknesses of the economic model have now resurfaced in the public debate and the call for a new economic model became inevitable. The main pillars of this new model would be the inflow of foreign direct investments and the greater internationalization of the Greek economy to ease the high dependence on domestic demand. Under the current reform program, some steps have already been taken to **boost exports** and **create an advisory body** for businesses that seek a more outward-looking profile. Many of them are part of the "**National Strategic Roadmap to Facilitate Foreign Trade.**"³ In the near future, the reform process to stimulate an outward orientation will focus on **further simplification of export procedures**, the **best international business networking**, and the **rapid settlement of tax transactions** for companies linked to exports.

Major reforms implemented to date:

- **Simplification and Expediting of procedures for international trade activities.** The most important step taken thus far to achieve this goal was the introduction of electronic transactions through the **operation of the Integrated Customs Information System**

³ Drafted by the Ministries of Finance, Foreign Affairs, Regional Development and Competitiveness, and Rural Development and Food, it was published in October 2012.

(OPST) -- ICISNet at the end of 2013. This **reduced the time required for the export process**, initially by the immediate customs clearance of goods of low to medium risk. Moreover, all **required documents are now accepted via fax or e-mail**, which further expedites procedures. It is also **possible to monitor the clearance of exports** via electronic exchanges with the customs office, and **to check on merchandise outside of customs** in specific locations. At the same time, the **operating hours of the two largest customs offices in the country** (Eleftherios Venizelos – fifth office in Piraeus) have been significantly extended.

- **Rescinding the regulation requiring exporting firms to enroll in the Special Registry of Exporters** of the Chambers of Commerce and Industry has also eased the initiation of export activity. Moreover, according to Law 4072/2012, export-import activity may be carried out by any person engaged in commercial activity and registered with the GCMH. Also, in order to **facilitate the export of agricultural products**, the designation of "authorized dealer" has been adopted (in place of the continuous issuing of certifications) and the YPAAT has been integrated with ICISnet.
- **Restructuring of the responsible public body for promoting outward-looking business activities.** For the combined promotion of foreign investment in Greece and the internationalization of the economy, the '**Greek Company for Investment and Foreign Trade**' was created (as a result of the merger of the Greek Foreign Trade Organization (OPE) and Invest in Greece). Its principal aim in the effort to support export activity will be to **improve the provision of information, consultation, and support services** to domestic export enterprises. The **provision of consulting services to exporters** has improved significantly with the **issuing of guides** (such as the guide to laws/regulations and requirements for exports, the guide to distance selling, and the guide to electronic transactions). Also, the **electronic information management system** of the Ministry of Foreign Affairs' "**Agora**" has been transferred to the new system.

The measures regarding export procedures have already had **positive effects**. According to the recent results of the **World Bank's** annual report "Doing Business," **the export processing time has been reduced from 19 to 10 days and costs by approximately 20 percent** (to \$892 from \$1,115)⁴.

Immediate future priorities to bolster the internationalization of the Greek economy:

Further simplification-expediting of export procedures

- Pre-customs procedures in Greece still involve the gathering and submission of the necessary documents in paper form to and from the relevant departments. Switching to electronic means would allow for **faster completion of export procedures**. To make this possible, appropriate enforcement of the **Single Integrated Information System (EOPS) for One-Stop Electronic Services (Single Window-SW)**, which was created by Law 4072/2012, is required. Information systems of this kind now exist in 71 countries worldwide, with differences in how developed they are and the breadth of services they provide. **Singapore** was the first country to set up such a system, in 1989, which now manages more than 30,000 declarations daily and processes 99 percent of permits within ten minutes.
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In accordance with the relevant provisions of Law 4072/2012, when EOPS-SW takes effect, **all export and import operations will be required to be performed electronically** (specifically, electronic filing of applications and documentation by businesses for issuance of the necessary certificates, licenses, and permits by the relevant services; and electronic dispatching of issuing procedures, as well as electronic receipt by applicants). **The EOPS-SW will cooperate with the Integrated Customs Information System (OPST)-ICISnet.** A phased **expansion of the interoperable E.O.P.S.-Single Window with all information systems** (GGPS, GEME, GEMH, ELSTAT, ICISnet, OPEKEPE) will be required. Simultaneously, **extended hours of operation at all customs offices** will also facilitate exports.

Providing consulting services to businesses regarding export activities

- As the vast majority of Greek companies have not developed export activities, they and other businesses and professionals in their fields often have no information on the necessary administrative processes, structure, and operation of international markets. Therefore, it is useful for the State to **create specialized services (such as call centers) in order to provide information** to those who want to develop, or are already engaged in, exporting activity. Furthermore, for companies that have identified their target markets but face difficulties gaining access to them, it will be particularly useful **to support access to information regarding foreign markets and business contacts.** This would be particularly helpful, especially at the start of the internationalization effort, in strengthening the Economic and Commercial Affairs offices at embassies.
- **Bilateral chambers** can play a key role in providing **information about markets** in countries that are Greece's major trading partners and the **developing contacts to Greek businesses** with their business communities.
- Especially in medium-sized and large companies, the **training of personnel who will be dealing with matters of internationalization** is essential. For example, the State can provide funding for specific seminars on the internationalization of business activities.

Promoting and protecting traditional/local products for export

- **Encouragement and support for promoting products of Protected Designation of Origin (PDO) and Protected Geographical Indication (PGI)** by the responsible bodies of YPAAT. These products are supported particularly by the new Common Agricultural Policy. There is also a need to increase **control over certification/traceability.**

Faster settlement of tax transactions for exports

- **Offsetting debts/receivables of VAT** on exports between businesses and the State

Best Practices: **Australia** has developed a very successful model for promoting exports. This model is supported by two main pillars. First is **the Export Commission (Austrade)**, which is an independent government agency with 94 offices in 60 countries around the world. The Export Committee promotes the participation of Australian exporters in trade fairs in foreign countries, organizes awareness campaigns and meetings with visitors from trade

commissions, conducts studies of export markets, and provides information. Secondly, the government provides funding to Australian exporters through the **EMDG program** based on specific criteria; this program evaluates the performance of the exporter at a predetermined time after the start of financing (export performance test) and, depending on the results, reduces or increases funding.