

SPRING 2015 REFORM BAROMETER - GREECE

		Q1 : the recommendation is :	Q2 : Implementation on effort is :	Detailed comments
CSR 1	Numerous, often technical, recommendations regarding tax collection and implementation of revenue increasing measures as well as administrative issues of the tax authorities. Requests to increase the VAT rate and revoking of exemptions in a number of cases like islands and tourism. A fiscal gap is documented and measures, that include further tax increases, are asked for.	Important	Mixed	While clearly there are many pending issues that need to be addressed, the recommendations do not acknowledge that numerous taxes rules, new and old are harming growth, as is the vagueness and delay in their implementation. Indeed some exemptions and special rates may be unjustified. In some cases there is a rationale though, e.g. islands, and alternative tools to support the residents may be appropriate. The timing of the increase in VAT for tourism is causing concrete harm and is hard to understand. The assessment of the fiscal gap and the need for fiscal consolidation remains static, and even after the experience of 2012 and the PSI neglects the dynamic dimension.
CSR 2	Measures to reduce medical expenditure and to further rationalize the pension benefits. Required measures also include expenditure rationalization for personnel in the public sector and state owned companies.	Extremely important	Mixed	Progress has been uneven. On the positive side, an extensive electronic documentation of all pension payments is now reality and allows for useful cross-checks and a codification of the legal texts for social security is advancing - which will allow an overview of a largely arcane and sometimes intentionally cryptic legislation. A large group of public sector employees that have been in gross violation of laws and professional obligations has been fired setting a significant precedent. Yet, room remains for well targeted and socially just interventions that will lead to savings. Implementation of a unified pay grid apparently has not yet reached all public sector entities.

CSR 3	Privatizations are acknowledged to yield below target revenue, but are required to proceed.	Extremely important	Mixed	Privatizations are still largely driven by fiscal needs, and not assessed as a strategic tool to improve the competitiveness of the productive economy. That said, a recent positive conclusion of the tender to privatize the operations of regional airports is a significant development in the right direction, as these airports are significant for tourism.
CSR 4	Business environment based on the OECD toolkit	Extremely important	Mixed	On numerous issues, like public procurement and university-industry collaboration progress is mixed. Some steady progress in issues related to licensing even though progress so far directly benefits only smaller establishments, indirectly the reduction of workload of responsible government units may benefit larger establishments as well and as long as the related direct improvements are still anticipated. Numerous pending issues, from spatial planning to waste disposal. Anticipated improvements in the pricing, taxing and charges on energy for production - in spite of a clear provision to have a neutral effect on PPC and tax revenue - are slow to be implemented. Inadequate or mixed progress on numerous issues ranging from nuisance charges, to the identification of administrative burden and red tape - a new electronic registry for companies led to a reduction in procedures but an increase in needed time and at the same time new charges are anticipated that will have companies to pay for example 3 fees for any change in the registry data - one fee for the registry, one for the one-stop shop and one for the chamber that hosts the registry. Much improved electronic management of social security data, with announcements of new hires and departures now being fully electronic instead of an onerous multi stage manual process of the past and all related documentation being available on-line. The application of the OECD toolkit concerns sectors that have been selected ad hoc and not after a prior screening that would guide the process towards sectors where known issues exist. In addition the emphasis on the application of the competition assessment toolkit and at the same time the neglect to advance the agenda of red tape reduction and improvement of doing business horizontally may not be optimal.

CSR 5	Justice	Extremely important	Mixed	Numerous initiatives have been taken, with limited end effect so far, even though some measures appear to form the foundation for future improvement.
CSR 6	Insolvency law, company restructuring and out of court procedures	Extremely important	Mixed	With recent new laws there has been some progress in certain areas to facilitate restructuring agreements and to write off a small amount of debts of salvageable businesses to the state, but in many cases the scope may not be ambitious enough to face off challenges at hand. Initiatives are mostly guided by static fiscal concerns and not by a strategy to salvage as many fundamentally sound, but devastated by the liquidity suffocation of the private sector and uncertainty, companies as possible. In any case, the new framework was only recently put in place but the recent political developments mean that all business plans for restructuring have been postponed, and therefore it has been difficult to observe if the abovementioned concerns hamper useful restructuring exercises in a majority of cases or if, despite any shortcomings, the new framework can help. A stabilization of the political developments will allow for such signals to come from the market.
CSR 7	Labour market, with emphasis to mass layoffs, lock out, change in law for unions	Important	Mixed	On the issue of collective dismissals, the new procedure through the SLC (as tested recently) is expected to prove adequate and equally durable to an amendment of the law. On the rest of the issues, there are specific conclusions agreed between the Greek Social Partners and the Ministry of Labour at the High Level Meeting facilitated by the ILO Director-General, hosted on September 2014 in Geneva.