

**SPRING 2020 REFORM BAROMETER – GREECE**

**European Semester - Overall assessment of 2019 cycle**

	<b>To what extent do you agree with these statements:</b>		<b>Detailed comments</b>
1.	The National Reform Programme submitted by your Government (April 2019) is appropriate.	To some extent	On the list of actions by the new government is an important initiative regarding the completion of reforms in the insolvency framework of individuals and corporates, the advancement of the agenda in areas of spatial planning/licencing/market supervision-accreditation-certification and. Initiatives are also in the pipeline regarding the management of legacies in the energy market, in the sense of handling the challenges posed by the dependence on lignite and the transition to cleaner energy production, along with the transition to the TARGET model. An initiative to handle the stock of NPLs tries to spearhead a more determined initiative to normalize the participation of Greek companies in the Single Market for Financial Services, from which it is de facto excluded for a decade. Areas that are important for long term growth, like education, public health, social services, better regulation agenda, speed of the working of the judiciary and the anti-corruption & transparency agenda have already received legislative attention, or initiatives are planned, but roll out will have to be tracked carefully. Following a number of improvements in the tax law and a reduction of rates especially for distributed dividends, profits and stock options, a discussion is ongoing regarding a significant reduction of the tax wedge on salaried private sector labour. As we had elections and change of government in July 2019, the priorities and the designing of the new policies of the new government have changed. Especially for the labour market priorities as mentioned in NRF 2019 (April 2019), there is no mention to tackling challenges and necessities of the Greek labour market, such as matching labour market / companies' needs with the education system, pension reform, wage - setting policies that reflect national competitiveness' needs etc..
2.	The Commission's country specific recommendations for your country are appropriate.	To a large extent	The same as above applies. As far as the focus on education - skills - related policies, we fully support higher and stronger investment in education and training and its link to labour market and companies' needs, through a thorough, honest and substantive social dialogue at bipartite and tripartite social level.

	<b>To what extent do you agree with these statements:</b>		<b>Detailed comments</b>
3.	The Commission assessment of reform implementation the year before is appropriate.	To a large extent	It has to be acknowledged that through the accelerated "box ticking" of the past years, there has been progress on a number of issues. In many cases, like areas of spatial planning/licencing/market supervision the legislative work still has to be completed, in spite of the fact that especially after some recent legislative initiatives the agenda has been further advanced. In some cases, the businesses will see tangible results only when the legislative work is completed and the administrative mechanism fully supports the new framework, and therefore often the progress made does not linearly reflect on improvements on the business environment, but when the Commission - correctly - assesses the need to persist with reforms for a long time for them to pay off, it is also likely that key reforms that have been advanced gradually for years are nearing a point where they may suddenly yield large payoffs. With respect to the evolution of the energy market towards the "New Market Design" and the "Target Model" numerous challenges remain and time lost in the past amplifies them, suggesting the urgency to move ahead fast with an agenda that has now undergone significant changes under the new government.
4.	The Commission assessment of excessive imbalances (in-depth review) is appropriate.	To a large extent	An acknowledgment of the investment deficit and brain drain documented during the crisis is now included, but an assessment on how we got there and how the problem can be remedied in practical terms (e.g. incentives to invest and to repatriate) is missing - it is still assumed that a petering out of the impact of the crisis can remedy the stock of damage done, which is an assumption that needs to be proved by the way things unfold during the next years. Demographic challenges are accurately acknowledged as a key problem. Regional and social disparities are correctly identified, and areas of priority for policy action, tools to encourage investment and areas of focus for investment are correctly identified. Important improvements in labour market regulation are acknowledged and assessed, even though remaining challenges that were not addressed are not fully spelled out. Challenges in the administration, judiciary and education system are properly assessed.

## Assessment of Country Specific recommendations 2019 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	Post-programme commitments given at the Eurogroup of 22 June 2018 -implement action plan on justice	Extremely important	Mixed	An emphasis on infrastructure to encourage e-justice will provide a tool, but this tool needs to be used properly to yield the urgently needed improvement in speed and overall quality of dispensing justice.
CSR 2	Investment-related economic policy - key preconditions.	Extremely important	Mixed	Recent initiatives in the area of strategic investment law, taxation and licencing help to create a more favourable precondition for investment. In order to cover the backlog accumulated during the crisis years some more aggressive incentives and a reduction of the tax wedge would be very helpful, and at least the second is under discussion by the government.
CSR 3	Focus investment-related economic policy on education, skills, employability	Extremely important	Mixed	Though it is high on the agenda of the new government, still no major reform on this area is not presented. It is extremely important to design and operate, in cooperation with national social partners, the education and training system, establishing strong links with labour market and companies' needs and finally activate and operate efficiently the Diagnosis Mechanism on Labour Market, firstly initiated and operated by the social partners and then legislated by the Ministry of Labour. Some first crucial steps, to ensure that the premises of education institutions are not held hostage by criminals, have been taken. More substantial initiatives are expected soon, along the lines recommended.

		<b>Q1: The recommendation is:</b>	<b>Q2: implementation on effort is:</b>	<b>Detailed comments</b>
<b>CSR 4</b>	Achieve a sustainable economic recovery and tackle the excessive macroeconomic imbalances by continuing and completing reforms in line with the post-programme commitments given at the Eurogroup of 22 June 2018 - safeguard competitiveness through an annual update of the minimum wage in line with the provisions of Law 4172/2012.	Extremely important	Mixed	There is a need to consolidate and articulate the long list of tripartite social dialogue committees and bodies, that are either inactive during the past years or they do not operate in a productive way, in order to recover their efficiency and facilitate tripartite and bipartite agreements on reform implementation
<b>CSR 5</b>	Focus investment-related economic policy on sustainable transport and logistics, environmental protection, energy efficiency, renewable energy and interconnection projects, digital technologies, R & D, education, skills, employability, health, and the renewal of urban areas, taking into account regional disparities and the need to ensure social inclusion. - Especially, completing investment licensing reform and encourage new investment in intramodal transport and regional integration	Extremely important	Mixed	As issues of licencing and spatial planning will remove one key bottleneck to investment, gaps and an uneven provision of transport infrastructure especially at the regional level and around areas of organized manufacturing activity become a next binding constraint. A list of such gaps, that often are projects of small scale that can though lead to the full usage of regional business parks, ports, rail connections etc and regional investment in infrastructure along with an initiative to swiftly fill these gaps is still missing, in spite of the fact that an umbrella plan for infrastructure investment provides for some high level needed public infrastructure.

		<b>Q1: The recommendation is:</b>	<b>Q2: implementation on effort is:</b>	<b>Detailed comments</b>
CSR 6	Completing reforms in line with the post-programme commitments given at the Eurogroup of 22 June 2018 - Complete reforms in the energy sector	Extremely important	Unsatisfactory	The deregulation and move towards the TARGET model should accelerate, as well as the completion of key intra-EU infrastructure to ensure interconnection between islands and with other EU countries, to ensure quality of supply on mainland, to ensure supply to industrial areas and business parks and take up of innovation ahead of ambitious climate change targets.
CSR 7	Focus investment-related economic policy on digital technologies	Extremely important	Mixed	There is a need to develop a digital skills strategy for Greece, to tackle both the underachievement in basic (including digital) skills and persisting skills mismatches. It is a stated policy priority, a strategy has been rolled out and a responsible ministry with sufficient legislative backing established. The licencing of infrastructure for mobile communications, a large impediment for years, has improved significantly. Roll out and a rationalization of taxation of digital services and high skill employment would help.

## **Reform Progress in your Member State in 2019**

How would you assess reform progress in 2019, for the following broad areas:

<b>Taxation and Public Finances</b>	Satisfactory
<b>Business environment (regulation/access to markets)</b>	Satisfactory
<b>Labour market</b>	Mixed
<b>Innovation and skills</b>	Mixed
<b>Access to finance and Financial stability</b>	Mixed

Is there any example of an economic reform, specific to your country that BusinessEurope could highlight in its 2020 Reform Barometer?

The new government's announcement and intention to reduce social security contributions by 5% in the next 2 years' period.

## Reform priorities for 2020

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
<b>Priority 1</b>	Tax reforms	Reduce now the tax wedge on salaried private sector labour and continue with the improvement of the general tax framework. Then move on to reduce numerous remaining taxes that are excessively high and hamper innovation, digital transformation, important domestic services and the efficient allocation of assets.	Yes
<b>Priority 2</b>	Business Environment - Regulatory barriers to entrepreneurship	Complete spatial planning/licencing/market supervision framework and administrative capacity	Yes
<b>Priority 3</b>	Labour market mismatch and labour mobility	Radically reform the education and training system and skills formation system in order to adapt to current and future skill needs.	Yes

I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 4 Bank lending conditions	An all-encompassing improvement of the whole framework relating to bankruptcy, pre-bankruptcy, a second change with respect to debts towards the state that extends to managers of corporations and the tax treatment of write-offs (especially VAT that has been paid by creditors on claims that are written down or off) has to be implemented, and should be included in the initiative slated for Q1 2020. This will support, in a much-needed way, the effort of the banks to clear the legacy of the crisis that takes the form of the NPEs. Part of this approach has to be a redesign of the OCW so that it can handle in a speedy and truly out of court way simple cases in which the state and banks are the main creditors, finishing touches in the pre-bankruptcy process of more complex cases that cannot be handled by the OCW and that should also fully benefit from the write down of state claims promised in the OCW and a rationalization of very strong indirect super priorities that are related to the unwillingness of the state to write down its own claims, the reimburse taxes paid on claims that are written down and in particular with the unconditional personal liability managers that act with caution and good faith have with respect to the debts of the company towards the state. The latter change could be linked to the establishment of a well-designed early warning mechanism and its timely and proper use. In addition, companies that are de facto bankrupt should be automatically stricken from the registry and a cheap to use registry of secured claims should be established. The implementation of the "Hercules" scheme to take NPLs off the balance sheet of banks should also help towards the normalization of the access of companies to finance.	Yes
Priority 5 Public sector efficiency	Given the still high levels of taxation, in spite of important recent initiatives to rationalize some taxes and technical details of the tax framework, the drastic improvement of the quality of services offered by the public sector is key. A key area in which the improved quality of public sector efficiency should quickly become visible is the area spatial planning/licencing/market supervision, where administrative capacity has to match legislative developments, as well as the area of business-university collaboration for R&D and innovation, but developments in the right direction are missing even at a time EU funds are going to greatly increase the liquidity situation in VC community.	Yes