



HELLENIC REPUBLIC

MINISTRY OF ECONOMY AND FINANCE

**NATIONAL
REFORM PROGRAMME
FOR GROWTH AND JOBS
2005-2008**

15.10.2005

Executive Summary

The increasing problems which the EU is facing as a result of globalization pressure, lack of competitiveness and an ageing population, have made clear that the *status quo* is no longer an option. Europe has to rise to the challenge and implement a series of necessary reforms in order not only to regain the lost ground but also its supremacy in the fields of knowledge, technology, economic performance as well as promoting social cohesion and environmental awareness. The Lisbon Strategy outlines the priorities and draws the guidelines along which the reforms should move albeit in accordance to country specific problems and needs. It is in the context of the review of the Lisbon Strategy that member states agreed to prepare and present to the European Commission, **National Reform Programmes (NRP)**, for the period 2005-2008, according to the Integrated Guidelines (COM2005/141), which were agreed upon and approved by the European Councils of March and June 2005 respectively.

The purpose of the NRP is to enhance employment, growth and social cohesion. The programme integrates in a single document all reforms which the Government plans to implement in the next three years (with a longer term horizon – 2010 – in mind) concerning public finances, structural (microeconomic) changes as well as changes in employment and education. The preparation of the NRP was based on a growth model aiming at developing healthy, private entrepreneurial initiatives and promoting competitiveness and openness of the economy. The key words behind this triptych are higher productivity, inflation control and increased employment. More specifically, the priorities are:

- (a) **To restore fiscal balance and ensure the long-term sustainability of public finances**, with the immediate priority to reduce the deficit below 3% by the end of 2006 and restrain it further in the following years.
- (b) **To increase productivity**, by addressing the structural problems in the operation of the markets, investing in human capital and promoting a knowledge-based society.
- (c) **To improve the business environment**, enhance competition, liberalize regulated markets, increase external openness and benefit from the country's geopolitical position so as to turn Greece into a main business hub in South-Eastern Europe.
- (d) **To increase employment rates**, reduce unemployment and improve the effectiveness of education and training through a series of targeted actions, which reduce at the same time the risk of social exclusion.

The structure of the NRP is as follows: reforms related to the sustainability of public finances are presented initially, while structural changes in the product markets (improving the business environment, liberalizing markets, supporting external openness and deepening the internal market) follow. Next chapters deal with policies aiming at promoting a knowledge-based society, reforming capital markets, protecting the environment along with sustainable development, enhancing regional and social cohesion and rebuilding public administration. A separate chapter addresses issues of employment-training-education policies. The final chapter analyses the expected synergies between structural funds (2000-2006 and 2007-2013) and the NRP.

The formation of the NRP started in March 2005 and was the subject of an extensive dialogue. In this effort, apart from the competent Ministries, which within the framework of the national coordination contributed with their specific programmes, the contributions of the Social Partners, the Regions and NGOs representing the Civil Society were very important. Significant was also the guidance of the EC through the Economic Policy Committee meetings as well as the meetings with the special EC mission which visited Athens on 18-19/07/05. Representatives of the competent Ministries and the Social Partners participated in these meetings. The draft of the NRP was publicized and posted on the website of the Ministry of Economy and Finance on 14/09/05 providing the possibility of an even broader dialogue. Finally, the NRP was presented and discussed at the Standing Committees of Economic and European Affairs of the Greek Parliament on 4/10/05.

The NRP will be submitted to the EC on 15/10/05 and be presented to and discussed by the Economic Policy Committee on 16/11/05. The constructive cooperation which was achieved during the preparation and submission of the programme is certainly not ending here, but is expected to contribute extensively to the monitoring of the reform implementation with the aim to achieve the national targets and contribute to the wider success of the Lisbon strategy across Europe.

Athens, October 2005

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1. Introduction

Fiscal consolidation and the acceleration of structural reforms are the main priorities of the Greek government in response to the major economic and social challenges of the post-olympic era.

The fiscal expansion following the accession of Greece to the EMU was justified only to a certain extent by the preparations for the Olympic Games and not only was it not accurately recorded in the official data, but it also led to a dead-end and cannot be pursued any further. At the same time, important delays in the implementation of structural reforms placed Greece low in ranking in many areas, with particularly severe consequences on productivity and competitiveness.

In order to maintain high growth rates, while at the same time achieving the fiscal targets, a different policy mix is implemented. The new growth model is founded on three main pillars, namely, competitiveness – openness – development of healthy private entrepreneurial initiative. The key words behind this triptych are higher productivity, inflation control and increased employment.

In implementing the reform programme required by this particular growth model, the government is taking a number of actions and initiatives, with the aim to support the macroeconomic framework, while improving growth prospects through increased production factor mobility and (goods, services, capital and labour) market flexibility, thus, facilitating adjustment to the internal market, technological progress and business-cycle fluctuations.

In summary, the priorities set by the government for the period 2005-2008 are:

- **To restore fiscal balance and ensure the long-term sustainability of public finances**, with the immediate priority to reduce the deficit below the reference value by the end of 2006 and restrain it further in the following years.
- **To increase productivity**, by addressing the structural problems in the operation of markets, investing in human capital and promoting a Knowledge-Based Society.

- **To improve the business environment**, enhance competition, liberalize the markets, increase external openness and capitalize on the country's geopolitical attributes to become an attractive destination for entrepreneurial and investment activities in the Balkans and the wider area of Southeastern Europe.
- **To increase employment**, reduce unemployment and improve the effectiveness of the educational, training and re-training systems. These goals are achieved through a series of targeted actions, while at the same time reducing the risks of social exclusion.

The National Reform Programme for Growth and Jobs 2005-2008 was drawn up in accordance with the guidelines issued following the relaunching of the Lisbon Strategy. This Programme and the Lisbon Strategy as a whole, is coordinated by the Minister of Economy and Finance, Mr. G. Alogoskoufis, with the Economic Advisor to the Prime Minister, Mrs. H. Louri as deputy coordinator and the collaboration of the Council of Economic Advisors and the Economic Office of the Prime Minister. The National Reform Programme started taking shape in March 2005, and was completed through a series of contact meetings between competent Ministries, regional authorities, Social Partners and NGO's from the Civil Society, whose contribution has been very significant at all stages of the drafting process. Within this process of constructive cooperation, the Economic and Social Committee (OKE) has established an Observatory, which will be monitoring the evolution of the reform process at the national level and will produce reports on an annual or bi-annual basis.

The National Reform Programme for Growth and Jobs 2005-2008 was presented and discussed at the Standing Committees on Economic and European Affairs of the Greek Parliament on the 4th of October 2005.

2. Sustainability of Public Finances

2.1 Recent Developments and Future Prospects

One of the main priorities of the Greek government over the years to come is to restore fiscal balance, since securing macroeconomic stability and maintaining a climate of trust are necessary conditions for sustainable growth.

In March 2004 the new government, immediately after taking office, launched an extensive fiscal audit, aiming at achieving clarity and transparency in the fiscal balances of the Greek economy. Working in close and fruitful cooperation with Eurostat, the Ministry of Economy and Finance submitted a number of necessary revisions in the public finance data in order to remedy previous data deficiencies. The revision of the deficit and debt data covered the period 1997-2003. A report by Eurostat on these statistical revisions was published on November 22, 2004, confirming the settlement of long-standing open questions on budgetary statistics and the compliance with ESA 95 requirements.

According to the latest Eurostat press release, the general government deficit reached 6.6% in 2004, thus exceeding the reference value of the Stability and Growth Pact (S.G.P.), while general government debt stood at 109.3% of GDP. The Greek government, in response also to the recommendation according to article 104.9 of the Treaty, is committed to reduce the deficit below 3% by the end of 2006; moreover, it aims at achieving this reduction while maintaining growth rates within the range of 3-4%. The course of the fiscal consolidation, described in the Update of the Stability and Growth Programme (submitted March 2005) and in the Draft 2006 State Budget (already submitted to Parliament), will be further elaborated in the forthcoming Update of the Stability and Growth Programme (December 2005).

2.2 The 2006 Draft State Budget

Fiscal consolidation is based both on restraining expenditure, without affecting basic services provided by the State, and on increasing revenue through broadening the tax base. General government total outlays are expected to reach 44.9% in 2006 (down from 48.2%), which a significant decrease in the order of 3.3 percentage points. The largest part of this decline is due to cutting on lower priority items, as provided for in the Draft State Budget: government consumption expenditure is projected to decrease by 3.5% in nominal terms (while increasing by 6.7% in 2005). In total, general government primary expenditure reaches 40.1% of GDP in 2006, compared to 42.6% in 2004.

As far as revenue is concerned, emphasis has been placed on fighting tax evasion and on broadening the tax base. Cross-checking of invoices issued by enterprises and professionals has shown discrepancies in the order of € 7 bn so far, with € 5.3 bn resulting from 4,145 cases. The re-organisation of audit mechanisms, mainly through the establishment of a new Service for Special Audits described below, is expected to enhance the effectiveness of relevant processes. A new system in order to fight tax evasion in fuel has also been designed and will soon be put in place.

The government has opted for a gradual fiscal adjustment and results are already visible, with the general government deficit expected to reach 3.6% of GDP in 2005 (down from 6.6% in 2004). This unprecedented (for E.U. standards) adjustment of three percentage points is, to the largest extent, the result of structural measures (two percentage points), mainly on the expenditure side, while maintaining the highest growth rate in the Eurozone. The remaining part of the adjustment (in the order of one percentage point) is achieved through the securitization of delinquent debt to the State. However, even this securitization process has structural characteristics, as it is expected to enhance the effectiveness of mechanisms to manage and collect tax arrears in the future.

According to the 2006 Draft Budget, the general government deficit in 2006 is expected to be below the S.G.P. reference value, reaching 2.8% of GDP. This entails a further structural adjustment in the order of 0.8 percentage points.

2.3 Structural Interventions

The government is also pursuing structural reforms aiming at increasing the efficiency of resource allocation and at improving the quality of public finances. These reforms include:

- Improvements in the fiscal auditing system, aiming at increasing efficiency in the allocation of public funds. These include, inter alia, the setting up of internal auditing services in the Ministries, the local authorities and public entities in general (with a budget exceeding € 3 mill.).
- The preparation of a new framework for the operation of Public Enterprises (DEKO), aimed at improving efficiency and at reducing drastically expenditure

that puts a burden on the budget. Also, the new legislation provides for the adoption of modern corporate governance principles.

- The IMF technical assistance missions with the objective to a) improve expenditure control and b) improve tax administration. In 2005, an additional mission provided assistance concerning fiscal transparency (Report on Observance of Standards and Codes, Fiscal ROSC) while the FSAP (Financial Sector Assessment Programme) was concluded, encompassing detailed assessments for the Banking sector, the Capital Market, the Insurance Sector and the assessment of the Money Laundering/Financing of Terrorism framework.
- The plans to rationalize property taxation. New legislation has been prepared providing, among others, for the introduction of VAT for new buildings. Increases will also be imposed on values used by tax authorities for the evaluation of property transfers
- The Financial and Economic Crimes Unit (SDOE) is being replaced by the Service for Special Audits (YPEE) mentioned above. This new service will act as an effective, flexible and modern economic crime-fighting-and-prevention unit against large scale tax evasion and smuggling. The basic principles on which the new service will operate are transparency, reliability, professionalism, respect for citizens' rights and objectivity.
- The development of state-owned real estate property in collaboration with the private sector. Law 3342/2005 introduced the provisions for the development of the Olympic Games infrastructure. Five tenders by the company Olympic Properties S.A. and eight more tenders by the Hellenic Tourist Development Company (ETA) are already in progress for the development of significant property assets. In addition, the institutional framework is being prepared for the development of the Public Real Estate Company (KED) property and of other public entities. This new framework will complement the legislation on Public-Private Partnerships.
- The new law 3389/2005 on Public Private Partnerships (PPP) defines the relevant legal framework, by incorporating the respective EU legislation and adapting it to the particular needs of Greece. In the past, every investment activity of this kind required a separate legislative initiative. This law on PPP clearly defines the general legal terms on which this kind of investment projects can take place, thus

paving the way for small-scale investment projects as well. Investment projects within the PPP framework will be implemented with transparent terms and conditions without putting additional pressure on the budget.

2.4 Long-Term Sustainability of Public Finances

The government aims at ensuring the long-term sustainability of the social security system and of public finances by implementing a policy mix aimed at increasing the labour market participation rate and the employment rate. These policies are described in more detail in the section on employment.

The government is also pushing forward with the implementation of Law 3029/2002, and has announced a public consultation process on the long-term sustainability of the pension system and the adequacy of pension provisions. Within the current legal framework, a solution was provided for the auxiliary pension system of the banking sector, by reducing the system's fragmentation, safeguarding future pension payments and mature pension rights, while ensuring competition in the sector.

The rationalization of healthcare expenditure is also an important priority. The introduction of the information system IASYS to the healthcare system will contribute towards a more efficient use of funds available. In the first phase of its implementation, IASYS will be applied to 18 hospitals by 2008 and is expected to reduce their operating costs (excluding labour costs) by up to 50%.

Public Private Partnerships will soon be applied to three main areas that will serve as pilots; namely, healthcare, development of state property and ICT. In every case, state control of these projects will be maintained since, regarding healthcare at least, PPPs will be used only for auxiliary services like security, food provision, sanitation, and maintenance. Although such services are already being provided by private companies, under the current legal framework they cannot be adequately monitored and have proven inefficient. It is estimated that the cost of such provisions will be reduced up to 60%. At the same time, the State Company for Hospital Construction is being restructured and will be replaced by a new entity able to expand into the Southeastern European market and bring about a reduction in the cost of complementary construction contracts of up to 20%.

A new bill on public procurement is currently being prepared, aiming at decreasing the dispersion of orders and at rationalizing the system. The basic principle of the draft bill is the central management of procurement which, combined with the operation of the integrated information system, will allow for central international biddings. The aim is to reduce the cost of procurement by 15%.

3.1 Business Environment

The government has already taken important initiatives in order to improve the business environment. As part of the **tax reform**, the corporate tax rate will be progressively reduced from 35% in 2004 to 25% in 2007, while for smaller firms from 25% to 20%. At the same time, the tax system has been simplified with the aim to reduce the administrative burden on enterprises and to promote objectivity in the audit system.

An important tool is the new **investment law** which supports investments of new, as much as old enterprises, promotes their modernization, fosters the use of new technologies and innovation and contributes to higher employment and regional development. The new law is simple, clear and self-sufficient, it improves on the discrepancies of previous legislation and by fully exhausting the limits set by the EU on state subsidies, it introduces a coherent set of strong motives for investment and regional development. Within the first six months of its enactment, i.e. from the end of March till the beginning of October 2005, 650 investment projects have been submitted to the prefectures and the Ministry of Economy and Finance, amounting to € 1.34 bn. In addition, 28 further investment projects worth € 254 million have been submitted to the Ministry of Development. The first approvals started being issued two months after the law was enacted. Prefectural authorities and the competent Ministries have already approved 166 investment projects worth € 327 million, which are expected to create approximately 1400 full-time jobs (not including indirect job creation and other positive multiplier effects). This translates into regional growth, increased employment and more rapid economic development in regions that were lagging behind in the past.

The new bill on **Public-Private Partnerships (L. 3389/2005)**, creates the framework for the wide provision of services and the undertaking of construction work of public benefit, in collaboration with and co-funded by the private sector. The enactment of the law on PPP will promote entrepreneurship, improve the infrastructure in public benefit provisions and will raise gross investment on services and construction.

Also, the new law 3325/2005 on the **licensing of Manufacturing Enterprises**, as well as the **legislation for the licensing of enterprises in the Service sector and Commerce**, currently under preparation, will promote entrepreneurship and increase business competitiveness. The new legislation reduces the time and the cost of business start-ups, particularly for low disturbance plants and small businesses outside the Attica region, it reduces red tape and takes steps against corruption. The legislation for the **provision of one-stop-shop services by Chambers of Commerce**, regarding the founding and licensing of firms was brought to parliament in September 2005, while the law on the **General Registry of Commercial Enterprises** will soon be presented for consultation. These laws are drastically simplifying procedures and are laying the foundations for the improvement of the business environment in Greece.

The **Industrial Areas Network** is being expanded, while the funding for the upgrading of 25 existing Industrial and Business Areas (BEPE) has already been authorized. These actions create or upgrade the infrastructure for the installation of plants in more than 2,000 hectares. It is estimated that within a decade more than 10,000 business units will be able to benefit by settling in or relocating to these areas. The budget for this project is estimated at € 200 million.

The drafting committee in charge of preparing the draft law on the **procedures for establishing “Societes Anonymes”**), and the revision of the existing company law 2190/1920 is expected to have completed its work by December 2005. The incentives provided by law 89/1967 for the settlement of domestic and foreign off-shore companies in Greece are also currently under review. At the same time, the need has been recognized to overhaul the existing **Bankruptcy Legislation**, which is mainly based on early 19th century legislation and as such does not correspond to current circumstances. This task has been assigned to a legislative drafting committee in

charge of preparing a draft law. The committee is expected to complete its work by June 2006. The revised legislation will include provisions for the specification of company restructuring requirements and apply the “second opportunity” principle.

Furthermore, the legislation on the “**European Company**” has already been prepared and submitted to Parliament. Its purpose is to introduce a new corporate structure that will enable businesses in different Member States to unify their potential by restructuring the production process at EU level.

The lack of **spatial planning** at a national level has been a serious setback for entrepreneurial activity in the past and has contributed to environmental deterioration through the unregulated use of urban and rural space. The National Spatial Plan , as well as specific spatial plans concerning renewable energy sources, tourism and industry are currently being drawn up and are expected to come into force in May 2006. Specific plans for the use of coastal and alpine land have already been prepared by the Ministry for the Environment, Physical Planning and Public Works and will be further refined by the competent committee as the national plan and the specific plan on tourism assume their final form. This integrated approach to spatial planning rationalizes and ranks the priorities in development and clarifies the legal framework on the location of activities so that economic growth, environmental protection and social cohesion are achieved.

Entrepreneurial activity is further encouraged through the introduction and operation of a network of **entrepreneurship clusters**. The General Secretariat of Youth is developing this network throughout the country (one cell in each prefecture) in order to provide young people, especially students and high school graduates, auxiliary services, information and input on business start-up (legal framework, marketing issues, etc.). In addition, an Entrepreneurship Observatory is founded within the General Secretariat of Youth in order to monitor and assess the business environment, process the data and provide accurate information on business opportunities and prospects to students in higher education.

Lastly, specific action is taken for the promotion of entrepreneurship in the field of **education**. A key step is the introduction of **modules on entrepreneurship** in the undergraduate curricula of higher education institutions.

3.1.1 Small and Medium Sized Enterprises

SMEs form the basis of economic and social life in Greece and they are at the heart of government policies on business environment. The strategic goal of the government's policy on SMEs is to release their vast potential in improving competitiveness, increasing employment, enhancing economic growth and improving social cohesion.

In addition to the investment incentives provided by the new investment law (offering up to 55% subsidization for investments in SMEs, depending on the provisions of the regional aid map), the government and the Ministry of Development in particular have taken and continue to implement a number of measures aiming at:

- establishing the National Council for SMEs in order support SMEs and VSEs,
- improving the infrastructure and support framework for SMEs,
- simplifying the licensing procedure for establishing manufacturing enterprises,
- increasing the involvement of SMEs in various programmes aimed at enterprises,
- improving funding,
- removing distortions to competition ,
- modernizing commercial activities,
- systematically receiving input and dealing with the problems facing SMEs in the periphery,
- modernizing the Chambers of Commerce.

Over the next three years the government will continue its efforts to increase the competitiveness of SMEs, placing particular emphasis on the following priority areas:

- Increasing the representation of SMEs in the NSRF 2007-2013, by planning and implementing actions oriented towards their particular needs. Commercial activities are already being funded for the first time through the 3rd CSF with a budget of € 200 million, while more than 40,000 SMEs are receiving funds from the 3rd CSF for networking and installation of ICTs. An additional programme

with a budget of € 200 million will soon be implemented for the development and modernization of Very Small Enterprises (VSEs) operating in the service sector.

- Include a special impact assessment scheme for SMEs within the upcoming evaluation system for the impact of legislation on enterprises and the economy.
- Simplify further the licensing process for commercial businesses.
- Apply measures concerning ownership transfers of SMEs, industrial outsourcing, support the textile, clothing, footwear and leather industries in order to successfully compete with those of third countries, the provision of consultation by the volunteer Body of Expert Consultants.
- Improve networking and efficiency in the support framework for SMEs.
- Improve access to funds and cooperation with the banking system through the Guarantee Fund Facility Scheme (TEMPME) which is already providing guarantees for a significant part of the loans obtained from financial institutions and the establishment of Regional Venture Capital Funds and/or Securitized Credit Funds for SMEs.
- Monitoring the developments in the competitiveness of SMEs through the National Observatory for SMEs and the establishment of two Research and Analysis Institutes by SMEs bodies with the support of the Ministry of Development.
- Promoting openness of SMEs that will allow them to reap the benefits from the expansion of EU and the opportunities available in third countries.
- Utilize the National Council for SMEs and other state consulting institutes for systematic consultation with SMEs.
- Promote synergy between European and National policy on SMEs.
- Coordinate policy by all Ministries to explicitly take into consideration the needs of SMEs, through, inter alia, appropriate adjustments in the planning of the annual national report on the implementation of the European Charter for SMEs.

A continuous 3-year National Action Plan for SMEs is being planned, in order to coordinate and monitor the implementation of an integrated policy on SMEs.

3.1.2 Industry

Industry, which includes a significant number of small and medium sized manufacturing enterprises, continues to play an important role in the economic development of Greece, by contributing to production and by supporting the development of the service sector. The structural reforms implemented in the economy, the expansion of the EU, the opening of international markets and the intense competition by third countries create new challenges and opportunities for the Greek industry.

The government's policy, which is in part implemented through the policy on SMEs, aims at increasing the sector's involvement in the support programmes, encouraging investment, reducing taxation, securing competition, improving infrastructure (especially in industrial areas), introducing quality, innovation and new technologies in the production process, reducing administrative burden, encouraging cooperation between enterprises and promoting entrepreneurial excellence.

Over the next three years the government's industrial policy will keep pushing in the same direction, placing emphasis on the following priority areas:

- Reforming the institutional framework on industrial areas.
- Improving the provision of services at regional level concerning licensing, attracting investment, providing information on existing programmes.
- Simplifying the legal and regulatory framework through the introduction of an evaluation system for the impact of legislation on enterprises.
- Introducing new technologies, quality, and innovation.
- Modernizing and restructuring specific sectors.
- Increase the participation of industries in public procurement.
- Providing access to venture capital.
- Creating industrial clusters, promoting cooperation between enterprises.
- Promoting business excellence.

Establishing an objective and reliable market monitoring system , which will ensure compliance with quality standards

3.1.3 Tourism

Tourism is one of the leading sectors in the country's development due to our comparative advantage (natural and cultural wealth and our tradition in hospitality), but also due to the multiple links between tourism and other sectors. The benefits for the national economy are multiple, while there are also important positive effects at regional and local levels.

The implemented policy on tourism aims at upgrading and enriching the tourist product through structural interventions within a long-term (10 year) strategy:

- Establishment of a competent authority for designing the policy on tourism (Ministry of Tourist Development),
- Introduction of incentives for the modernization, change of use or retirement of tourist units,
- Development of tourist installations according to a strategic operational plan,
- Introduction of a new legislative framework for alternative types of tourism (health, agri-tourism, etc.),
- Safeguarding the quality of tourist installations and services through the introduction of a reliable monitoring system (restructure of GTO's regional services),
- Re-organizing the tourism-oriented educational system and introducing new training programmes (OTEK),
- Radical modernization of the marketing system for our tourist product.

3.2 Market Liberalization and Competition Enhancement

The government assigns particular importance to the opening up of markets and the enhancement of competition, with the aim to increase private investment, raise employment, contain prices and improve the quality of goods and services available to consumers. "Closed" sectors are being opened to competition and existing barriers to entry are being lifted.

3.2.1 Institutional developments – Independent and Regulatory Authorities

Law 3373/2005 effectively increases the competence of the **Hellenic Competition Commission**. Inter alia, this legislation increases the number of staff (from 80 to

150), provides for permanent and effective cooperation with the European Commission and competition authorities in other member states and strengthens the mechanisms for prevention and imposition of sanctions.

The independent **Supervision Authority for Private Insurance** has been established, with the aim to effectively supervise the market for private insurance, which has been growing very rapidly in recent years. This independent authority is expected to start operating, as soon as legal adjustments are finalized and staffing is completed.

Law 3377/2005 on the **operation of commercial entities** promotes the healthy operation of the market by taking steps against unrecorded economic activity and competition distortions. Furthermore the new opening hours for shops are intended to increase commercial activity, bring market conditions in line with the rest of the EU and create more jobs. At the same time, the **National Council of Electronic Commerce** is being established, with the aim to promote e-business.

The legal and regulatory framework for **public works** has been fundamentally reformed in cooperation with the European Commission, with the aim to increase transparency, enhance competition and protect public interest, as well as to improve the efficiency of the System for the Provision of Public Works. Law 3263/2004 abolishes the “mathematical formula” and brings the institutional framework for the commission of public works in line with EU legislation and the European Court case law. Furthermore, the new law applies a single invoice of works, which will rationalize biddings, limit spending in excess of budget and prevent disputes, while creating a valuable data base for rational planning in the provision public works. Also, initial tenders’ and biddings’ specifications have been issued and put to use, in order to achieve uniformity and transparency in the terms and entry requirements for public works biddings.

The reforms in the **institutional framework for public works** is completed with Law 3316/2005, which establishes a process for the optimization of quality in public works studies, achieves full harmonization with EU legislation, including the recent directive 2004/18/EK, sets strict conditions for making alterations to the study in the course of

construction and codifies the entire institutional framework for the commission of studies and other related issues in a single piece of legislation.

An important step towards improving the terms of competition is the **codification of the national legislation and case law on public works**, which is currently under preparation and will be completed by the end of 2005. The aim is to make it simpler and easier to use for all parties involved in the provision of public works in Greece.

Meanwhile, the entire system for the management of **public procurement** is being revised (currently at the stage of pre-announcement), with the aim to make it simpler and transparent. The plan to introduce a **National System of Electronic Public Procurement** (the relevant call for tender will soon be announced) will allow for electronic biddings, procurement contracts as well as the monitoring of their progress.

3.2.2 Network Industries

The liberalization of the network industries is of great significance to the Greek economy as a whole, considering that the output of such industries is not merely a final consumption good, but it is also an important input in the production process of various different sectors. The government is committed to speed up the liberalization of the network industries in order to improve the competitiveness of the Greek economy and to ensure that consumers enjoy a higher quality of services at lower prices.

Energy

With reference to the **energy sector**, the role of the Regulatory Authority for Energy (RAE) is being upgraded by the new electricity bill, which has been submitted to the Parliament. The new bill will enhance the monitoring and regulatory competences of RAE, thus ensuring its effective operation.

The issuing of the new **Grid and Power Exchange Electricity Code** in May 2005 creates the necessary conditions for competition on equal terms, ensures reliability and transparency between markets and promotes the development of secondary markets, which will maximize the public benefits derived from the operation of the sector. With the enactment of the new Code, independent producers and/or suppliers

(other than the Public Power Company, PPC) are effectively granted a right of entry to the electricity market. The electricity sector is expected to attract significant investment interest in the immediate future. In addition, the new electricity draft bill, which has been submitted to the Parliament, will gradually grant the right to all customers to choose their suppliers by 1.7.2007, with the exception of households, which will be able to choose their electricity supplier only after 1.7.2007.

The bill for the **natural gas market**, proposed by RAE has also been submitted to the Parliament. According to this draft bill, the gas market will be liberalized further through the gradual definition of Eligible Clients (clients with the right to choose their supplier), third-party access to the network will be secured, the operator of the transmission and distribution network will be established, specific principles concerning pricing will be introduced, as will the keeping of separate accounts.

At this point it is worth noting that the continuous upgrading and expansion of the domestic network for energy transmission and distribution, combined with the ongoing large-scale international projects on energy infrastructure, like the Burgas-Alexandroupolis oil transmission pipeline, the Greek-Turkish and the Greek-Italian gas transmission pipelines and the interconnection of the Greek and Turkish electricity transmission networks paint a new, attractive picture of the Greek energy sector and help create a more favourable investment environment.

Electronic Communications

In the **electronic communications sector**, the mobile telephony market continues to grow (the penetration rate amounted to 84.4% at the end of 2004). Competition continues to grow in the fixed telephony market, as is reflected in the increased share of alternative operators (6% in 2004 compared to 2% in 2001) and has contributed decisively to the reduction in the communication consumer price index to the benefit of consumers. The internet market is on an upward trend, as both, the number of connections and revenues have risen significantly. Regarding broadband, there was a significant increase in the number of ADSL connections (approximately 100,000 at the end of July 2005, compared to 14,000 during the first quarter of 2004), accompanied by a significant decline in prices for broadband internet. Local Loop Unbundling has also grown significantly (5228 lines at the end of the second quarter

of 2005, compared to only 779 in the first quarter of 2004), which is indicative of the strong interest in the market.

An important factor for the further development of the telecommunications market is the new bill on **Electronic Communications**, which brings Greek legislation in line with the regulatory framework of the European Commission. The new bill sets up a reliable institutional and regulatory framework, which is a necessary prerequisite in order to attract investment in electronic communications. The independence and competence of the Hellenic Telecommunications and Post Commission (EETT) are enhanced through the transposition of the EU directives, allowing it to pursue more effectively increased competition and the development of broadband.

Meanwhile, the project “**Commission of the National System for Spectrum Operation and Supervision**” (ESDEF), co-funded by the EU, is already underway and is expected to be completed by 2008. It will contribute to a more rapid development of new wireless technologies and their applications and will help create a competitive environment in the radio communications sector.

Post

The **postal services sector** is growing at a high rate. In the Courier Services market there was a considerable increase in the volume of carriage, while in Universal Service there was a marked increase in domestic post. Concerning market integration, the Greek legislation is now fully compliant with the EU regulatory framework and the market is sufficiently liberalized to ensure the provision of Universal Postal Services. There is a number of both, ongoing and forthcoming projects, co-financed with the EU, aiming at: a) upgrading post offices to multi-service centers, able to deliver a wide range of auxiliary services to citizens, b) the automatization of selection and distribution centers and c) the development of computing systems that will facilitate both, the provision of existing and additional services.

Transport

In the **transport sector**, the Presidential Decree (FEK 60A'/07.03.05) that draws a distinction between operation and infrastructure of the Greek Railways Organisation (OSE) has already been signed, while under law 3333/2005 “freight villages” will be

set up and will start operation with the contribution of the private sector. This Law assists the establishment of a framework within which private initiatives can be geared towards the creation of Commercial Centers to further promote regional growth and employment. Meanwhile, Greek legislation is in the process of adjustment to the regulatory framework of the Single European Sky (SES), with completion of the first phase within 2007. The relevant draft bill (under preparation) will include the restructuring of the Hellenic Civil Aviation Authority, it will draw a distinction between the providers of commercial air travel services and Regulatory Authorities and it will establish a National Supervision Authority. In addition, the adoption of the Eurocontrol Safety and Regulatory Requirements (ESARRs) in air travel and compliance with the regulatory framework of the EU on reducing noise levels at major airports are underway.

3.2.3 Privatization

The government is determined to push forward the new generation of privatizations, with the aim to enhance competition in markets, with transparency. Privatization revenues in 2005 amount to € 2.15 bn (1.3% of GDP), up to October 2005. Through the successful sale of shares in the Football Prognostics Association (OPAP) and the Hellenic Telecommunications Organization (OTE) in 2005, the target on privatization revenue set in the 2005 budget has been exceeded by 30%.

The plans for the immediate future include the listing of the Postal Savings Bank and the Athens International Airport in the Athens Stock Exchange, as well as privatization of ports. Further action is being prepared concerning the state's share in the Agricultural Bank of Greece and in Emporiki Bank.

3.2.4 Protection of Consumers

Parallel to the creation of a competitive environment in the supply of goods and services, it is essential for the smooth operation of markets to provide consumers with information and effective protection. The government is implementing an active consumer policy, aiming at providing consumers with unhindered access to the necessary information on prices and quality of available goods, thus maximizing the benefits from competition, contributing to the smooth operation of the markets and

supporting demand. To this end, the actions taken by the Consumer General Secretariat include the establishment of the Consumer Ombudsman and the phone service '1520' for the protection of consumer rights, the legislative action in the area of consumer protection, the provision of information and training for consumers, as well as continuous market inspections.

3.3 Promoting External Openness

The ambition of the government is to create the necessary conditions for Greek enterprises to become competitive players in the new economic setting of globally integrated markets. Utilizing the size of the European, as well as the global markets can support the development of enterprises that find themselves confined by the limited possibilities and dynamism of the domestic market. Among the actions taken to promote openness, particular attention is drawn on:

- The formulation and implementation of an **integrated promotion strategy** through the cooperation between private and public sector in taking mutually reinforcing actions that focus on external trade, tourism, culture, the environment and mercantile marine.
- The **restructuring of the 2nd General Directorate at the Ministry for Foreign Affairs**, which plays the role of the strategic headquarters for the promotion of Greek exports and for attracting foreign investment to Greece.
- Using **economic diplomacy** through the Offices for Economic and Commercial/Trade Affairs in our Authorities abroad, as well as through the Ministry for Foreign Affairs. The Ministry for Foreign Affairs provides also helpful information to potential exporters through the recently set up gateway on its website.
- **The activation of the National Exports Council**. The process of formulating specific suggestions has already started in cooperation with exporters.
- **The restructuring of the Hellenic Foreign Trade Board (HEPO)** that will enable it to exercise export policy. HEPO is shifting its focus on customers, is becoming more efficient and specialized, capable of creating economies of scale in the export activities of enterprises and to offer substantial information and advice.

- **The increased competence of the Hellenic Centre for Investment (ELKE)**, in taking effective action for attracting Foreign Direct Investment and exploiting Greece's geopolitical attributes to transform it to a major hub of entrepreneurial and investment activities in Southeastern Europe.
- **The Greek Export Orientation Study.** Opening up to new markets upon recommendations made by the competent bodies in Greek business and through special business missions led by the competent Deputy Minister of Foreign Affairs.
- **The restructuring of the Export Credit Insurance Organization (OAEP)**, for the assistance of Greek export businesses that are active abroad and particularly in markets of special interest to Greece and in major emerging markets.

In addition to these specific initiatives, the openness of Greek enterprises is promoted through more general policy measures for the reduction of the tax and administrative burden on businesses and the improvement of the business environment. Combined with the simplification of procedures and the supporting steps taken by most Ministries against red tape and corruption, these measures are expected to progressively improve the recent poor performance in FDI inflows.

3.4 Deepening the Internal Market

According to the latest data, the deficit of Greece in the transposition of EU directives was 3.7% in July 2005, compared to 5.1% in November 2004, placing Greece in 23rd place out of the 25 member states in the EU. Furthermore, Greece ranks highly in the number of infringement (or other proceedings) initiated by the Commission for delayed or incorrect transposition of directives.

The central coordination for the improvement of the transposition rate has been assigned to the General Secretariat of the Government, which is working in close cooperation with the Greek Permanent Delegation at the European Commission. The main aim is on the one hand, to improve the transposition rate and on the other, to create the necessary conditions for Greece to have an equal participation in the integration process of the common market.

4. Knowledge-Based Society

Education, scientific research, technology and innovation are important elements of the Knowledge-Based Society and determining factors for productivity growth and increased competitiveness in Greece.

4.1 Research and Development - Innovation

The priorities in R&D policy aim to eliminate the deficit of Greece in research, innovation and technology compared with other EU member states and to link R&D with the production process.

Our target is to increase R&D spending from 0.65% of GDP to 1.5% by 2010, with the contribution of the private sector. Specifically for attracting private funds (domestic and foreign) on R&D and innovative activities, the **new investment law** provides investment incentives in the form of tax relief and/or direct and indirect subsidies for investment on, inter alia, applied research labs, the provision of innovative electronic and broadband communication services, software development and the provision of cutting-edge technology services.

The **National Strategy on Research and Technology** is primarily pursued through the Operational Programmes “Competitiveness” and “Information Society”. At the same time, the programme PRAXE for the creation of academic spin-offs has passed into the second phase of its implementation, the programme PAVE for the development of industrial research is being re-activated and the “International Cooperation Programme in Industrial R&D Activities in Pre-Competitive Stage” is being launched. These programmes are financing actions aiming at:

- attracting foreign investment in cutting-edge sectors
- developing industrial research and increasing research personnel
- developing new knowledge-based entrepreneurial activities and providing the necessary mechanisms for their promotion (industrial technology parks and cells)

- promoting collaboration between private corporations and public research organisations in planning and implementing research projects
- intensifying cooperation between public research labs and private enterprises
- promoting public and private research activities in the international scene
- utilising technological progress in order to achieve economies of scale in production
- establishing Regional Innovation Poles and Zones. The Innovation Zone in Thessaloniki, in particular, will involve a public expenditure of € 30 million and will bring together a significant number of R&D bodies such as enterprises, research bodies, knowledge – intensive business incubators, universities and other education/ training institutions.
- utilizing research output and putting it into commercial use.

Furthermore, an integrated **Digital Strategy** will be implemented over the period 2006-2013, addressing in a unified manner computing, new technologies and the development of necessary skills. It will cover the whole range of public administration and the economy, aiming at increasing the productivity of businesses, improving efficiency in public administration and citizens' living standards. The Digital Strategy 2006-2013 is compatible with the Lisbon Strategy, the e-Europe policy and the new European policy i2010 for the Information Society.

In addition, a number of actions are being promoted through the Operational Programme “Education and Initial Vocational Training”, aimed at improving the international competitiveness of Higher Education Institutions by raising the standards of postgraduate studies and research. These include:

- The development of postgraduate courses on basic and applied research in Higher Education Institutions (Universities and Technological Education Institutes)
- The support of university administrative bodies in offering postgraduate scholarships on research projects, in carrying out studies on educational research, etc.

- The funding of approximately 2,200 research projects in higher education through three research programmes (HERACLITOS, PYTHAGORAS, ARCHIMEDES)

4.2 Increasing Investment in Human Capital

Our target is to increase public spending on education to 5% of GDP by 2008. Important initiatives have already been taken aiming at making the educational system more flexible and coherent, improving quality and effectiveness through decentralization, reduced bureaucracy and the introduction of assessment schemes at all levels. Major actions in this vein include:

- Increasing the competence of established **regional administrative bodies in education**
- The enactment of the existing legislation on the **assessment of schools in primary and secondary education** (including Technical Vocational Schools). Schools' assessment is a fundamental prerequisite for raising educational standards. The lack of systematic and effective assessment for a prolonged period has concealed the internal weaknesses of the educational system that need to be addressed urgently. It is estimated that 15,000 schools will be assessed by 2006.
- Concerning **higher education**, Law 3374/2005 introduced a quality assessment scheme with the aim to provide regular assessment of the teaching, research and administrative performance of higher education institutions. This will enable the identification of shortcomings, which may then be appropriately addressed, and will provide information on the quality and effectiveness of institutions to all interested parties (prospective students, employers and social partners).
- Finally, in the specific area of **maritime vocational training**, the Ministry of Mercantile Marine is taking a number of actions for the continuation and improvement of the Initial and Continuous Vocational Training schemes (i.e. upgrading technical and teaching equipment, instructors' training, introduction of ICT in teaching methods). These actions will maintain the already high standard of professional maritime training and aim to exceed the demands of the revised STCW.

4.3 Education and Information & Communication Technologies (ICT)

Teachers in primary and secondary education, in technical vocational training, when participating in all schemes of teachers' training (fast-track, introductory, in-school, distance learning, medium and long-duration), are receiving **training in the use of ICT**, with the aim to promote open and distance learning, the use of new technologies in education and the development of the necessary skills in the use of these technologies. Training can be compulsory or voluntary (within or outside school hours). It is estimated that 150,000 teachers will receive training on basic ICT skills and a further 20,000 on the pedagogic-teaching applications of ICT.

Meanwhile, the schools in primary and secondary education are being provided with the necessary infrastructure in hardware and software, in order to rise up to the needs and challenges of the Knowledge and Information-Based Society. More specifically, over the period 2001-2006 schools will be provided with the necessary hardware and software to create PC labs (40-60 square meter rooms with up to 11 work stations, server, printer, internet access and Uninterruptible Power Supply UPS systems) and PC corners (one work station per class room with printer and internet access). Currently, 47% of primary schools and 81% of schools in secondary education have been fully equipped and virtually all schools in primary and secondary education are networked. These actions are expected to be completed by the end of 2006. The incorporation of teaching software in the curricula will be completed within 2008.

5. Capital Markets

The Hellenic Capital Market Commission (HCMC) plays an important role in the establishment of a dynamic capital market in Greece, aiming at the effective allocation of funds and provision of services throughout the country, ensuring adequate liquidity and furthering the progressive integration of the Greek capital market with the common European market. Until now, emphasis was placed primarily on the legislative amendments prescribed by the Financial Services Action Plan (FSAP), aiming at increasing competition, improving market accessibility, transparency, financial stability and efficiency. Economic integration and

rationalization of the existing regulatory framework has to a great extent been achieved with regard to both, institutional investors and capital market infrastructure, like clearing systems and the settling of disputes, which has improved market operation to the benefit of all financial agents. Further effort is required for the reduction of market fragmentation for small investors.

The establishment of an integrated regulatory framework in the coming years is expected to substantially improve competition in the financial markets and reduce the administrative burden on financial intermediaries and listed companies. The main targets set for the HCMC are:

- To accelerate progress towards full integration with the EU capital market, by improving efficiency and removing any economic barriers.
- To improve the mobility of financial services within EU at the lowest possible cost (through effective preemptive supervision, financial stability and a high level of consumer protection).
- To ensure the implementation of the law and continuously assess the existing legislative framework and its amendments, to promote supervisory convergence and improve regulatory competence in the domestic financial markets.
- To simplify the numerous obligations of market agents for a more effective operation of the capital market.

To achieve these goals, HCMC is contributing to the accelerated implementation of the measures prescribed by FSAP, to the improvement of confidence in the market, the improved cooperation and mutual understanding between market participants and the full alignment of the Greek capital market with the European common market.

HCMC has contributed in drafting the new bill on Market Abuse (Law 3340/2005) which enhances the independence of HCMC. Meanwhile, HCMC is actively taking part in the ongoing amendment of the law on Societes Anonymes 2190/1920 and is following the developments concerning the 8th, 10th and 14th EU directives on corporate law and governance. It is also keeping track of the EU developments in:

- clearing systems and the settlement of transactions in securities and

- the review of the operational framework of banks and investment services providers concerning capital adequacy, conducted in parallel to the workings of the Basel Committee.

Finally, the ICT infrastructure of HCMC is being upgraded through the operational programme Information Society and its web site is becoming more user-friendly.

6. Environment and Sustainable Growth

An important aspect of the Lisbon Agenda is to promote sustainable growth, protect the environment and reduce pollution levels. Sustainable growth requires a harmonized effort at national and international level for the protection of the environment.

The emphasis placed on creating the necessary conditions for sustainable growth is apparent in the **new investment law** (3299/2004) which provides a beam of motives including direct and indirect subsidisation and tax exemptions, aiming at the promotion of investment plans for the protection of the environment. Particular emphasis is given to the production of electricity from renewable energy sources (RES), like wind, solar, hydroelectric, geothermal and biomass energy. At the same time, the institutional reforms for the simplification of the permit awarding process for RES investments are being completed, while the forthcoming enactment and implementation of the **National Spatial Plan** and the Specific Spatial Plans for RES, Industry, Tourism and Coastal and Alpine land will play a decisive role in protecting natural resources and sensitive eco-systems, by rationalizing priorities and creating the necessary conditions for an environmentally sustainable economic growth.

Further action is being taken for the promotion of **more efficient energy consumption** in the tertiary sector and by households. The target set by the Ministry of Health and Social Solidarity for 2008 is to reduce energy consumption by 11- 12%, through the reduction of the thermo-transparency factor, the use of solar energy,

recycling of fuel gases in existing combustion units and co-production, as well as through the introduction of natural gas to all State Hospitals.

Concerning the issue of **climatic change**, the National Plan of Distribution Rights for Greenhouse Gas Emissions was submitted to the European Committee in December 2004 and has already been approved. With the establishment of the National Plan of Distribution Rights, Greece is harmonised with the EU negotiation mechanism, the primary market mechanism for the assessment of environmental pollution and complies with the Kyoto protocol for the reduction of gas emissions. Further initiatives include the establishment of the Office of Marketing Rights for Greenhouse Gas Emissions (OMRGGE) in the Ministry for the Environment, Physical Planning and Public Works (MEPPPW), and the activation of the Greek Centre of Environment for Sustainable Development (GCESD) for the electronic monitoring of Greenhouse Gas transactions.

Concerning **atmospheric pollution**, a series of measures have been adopted for the improvement of the national monitoring network, as well as for increasing control over the sources of air pollution. Atmospheric pollution is being reduced through: the increasing use of natural gas and RES, the intensification of actions for the reduction of sulphur dioxide, nitrogen oxide and organic volatile hydrocarbon emissions, the promotion of cleaner fuels, the development of a National Emissions Registry, the use of market-based tools for the integration of air quality policy objectives within the energy and transport policies, and finally, the use of natural gas by buses in the Athens public transport system. Also, the extension of the environmentally friendly tram network, as well as the use of hybrid vehicles for the needs of the MEPPPW and the promotion of their use in Public Administration, will contribute further to the reduction of atmospheric pollution.

Aiming to integrate **bio-fuels** in the Greek market for petroleum products, a draft law has already been placed in public consultation, and will soon be presented to Parliament. At the same time, a draft law has been brought to Parliament for the exemption of specific quantities of bio-diesel from the Special Consumption Tax over

the period 2005 -2007. The National Objective is to substitute 5.75% of total transport fuels with bio-fuels.

The MEPPPW is competent for the organisation and co-ordination of the **National Programme of Systematic Monitoring of Marine Pollution (MED POL Monitoring)** within the framework of the Mediterranean Action Plan (Mediterranean Action Plan/UNEP) for the “Protection of the Mediterranean from pollution”. Sea water is being systematically analysed through spot sampling in 1,522 Greek coasts. Moreover, the protection of the marine environment is enhanced through policies promoted by the Ministry of Mercantile Marine, aiming at zero tolerance for ships with inadequate service check and safety and environmental violations, the attraction of quality ships and through the introduction of environmental management systems in ports.

The efforts towards more effective and **sustainable waste management** are focusing on alternative recycling systems, reforming the legislative framework for the management of dangerous waste like electric and hospital waste and electrical equipment. This initiative is expected to be completed by 2006.

In addressing the reduction in **biodiversity**, increased funding is provided to 27 authorities in charge of protected areas. Moreover, Greece is participating in the international collaboration of Mediterranean countries (Medwet) for the protection of wildlife reserves using quantitative tools for assessing their value and thus ensuring the most expedient and environmentally compatible management of these wildlife reserves.

Furthermore, a number of actions are being taken with the aim to promote the development and use of environmental technologies, as well as the standardisation of sustainable production processes. These include:

- **The incorporation of the environmental dimension in the sectoral policies** and in the evaluation of projects and activities (Environmental Impact Studies) with

the adoption of directive 2001/42/EK (directive SEA) regarding ex-ante estimates of environmental impact of certain projects and programmes. In addition, full implementation of the **new Common Agricultural Policy (CAP)**, starting 1.1.2006, will require farmers to use environmentally sustainable practices in order to become eligible for funding.

- **The promotion of sustainable production and consumption models** as well as the promotion of environmental management in Organisations with the application of EMAS, ISO 14001 as well as Eco-label in products.
- Financing projects that incorporate **environmental technologies** elaborated by Community research programmes. Life-Environment is used as a financial instrument that contributes to the Lisbon Agenda by quantifying the social and economic benefits of the environment, and by adopting a knowledge-based approach.

Finally, it is important to mention that over the last few years, Greece is being transformed into an **energy hub** for environmentally friendly energy sources like natural gas, especially since the recent agreement for the construction of the Greek-Turkish natural gas pipeline, which is expected to become operational in 2007. Furthermore, the protocol signed between Greece and Italy for the construction of a underwater pipeline will enable large-scale transmission of natural gas to Italy and the rest of Europe, thus, reducing the dependency of the European Continent on less environmentally friendly energy sources like oil and lignite.

7. Regional and Social Cohesion

The high economic growth (high nominal increase in GDP) of previous years was paradoxically associated with a deterioration in the poverty rate and the widening of social inequality, indicating that the proceeds of growth were not being evenly distributed across regions and social classes.

The new growth model endorsed by the government aims at addressing the shortcomings of previous years by pursuing a more balanced economic growth

through the development of the less privileged regions and by tackling social exclusion.

With regard to regional cohesion:

- The new investment law provides **investment incentives** for the remote prefectures and prefectures with a per capita GDP less or equal to 65% of the EU average through an additional subsidization by 15%, while the **new bill on PPP** will contribute decisively in extending and upgrading the necessary infrastructure for the development of remote regions.
- Specific action is being planned for **rural development** aiming at enhancing entrepreneurship, encouraging production in rural industrial plants, promoting agri-tourism and the production of high quality and high value-added products. Also, the draft law prepared by the Ministry of Rural Development and Food will establish regional centers for rural development and will introduce measures in support of new farmers, while the Second Pillar of the new Common Agricultural Policy (CAP) provides additional incentives for investment in agriculture and other sectors, aiming at securing more and better jobs and increased income for farmers. It should be stressed that implementation of the upcoming **National and Specific Spatial Plans** will play a decisive role in rationalizing the process of regional economic development and ensuring its environmental sustainability.
- In addition, regional development is being facilitated through the promotion of **alternative types of tourism** (i.e. business-conference, pilgrimage, health, eco-tourism etc.), utilizing the comparative advantages of each region. Tourist development is further promoted through actions by the Ministry of Culture for the promotion and development of our cultural heritage through Regional Operational Programmes, the Operational Programme “Culture” and the development of a National Web for Cultural Knowledge within 2013.
- **The links of the periphery with the major urban centers and accessibility of remote regions** are being improved through the ongoing upgrading of the transport infrastructure, e.g. the upgrading of the TransEuropean Road Network in Greece (PATHE, Egnatia odos, Ionia odos, etc) and the expansion of the remaining road network, the significant improvements in the railway network

(construction of a double, electric railway line along the railway axis PATHE/P) and the upgrading of airports and commercial and freight sea ports.

- Integrated, long-term solutions are being planned and implemented in order to ensure **social, economic and geographical cohesion of the Greek islands**. The Ministry of Mercantile Marine is preparing a legislative amendment that will allow for public tenders on 1 to 5 year long contracts in sea lines that are insufficiently or irregularly serviced.
- The **electronic communications network** is being upgraded through the expansion of broadband infrastructure in remote regions with the aim to reduce the “digital gap”. The provision of broadband services in the periphery is promoted through the Operational Programme “Information Society”.
- Law 3377/2005 establishes the “**Regional Innovation Poles**”, with the aim to promote regional development through the creation of nodes of technological skill and excellence in the periphery, in a way similar to the French “Poles de competitivite” and the Finnish “Regional Centers of Expertise”. The main objective is to improve competitiveness by promoting research, technology and innovative practice in the Regions. This new Action offers an integrated instrument for the promotion of regional innovation, combining the support of innovative practice in the business sector, technology transfer, cooperation between businesses and academic institutions, as well as policy design for innovation at regional level. Public investment will amount to € 15 million.
- Finally, the establishment of Regional Venture Capital Funds and/or Securitised Credit Funds for SMEs will have an important contribution to the development of entrepreneurial activity in the periphery and will thus also promote social cohesion.

With regard to social cohesion the following actions are promoted:

- The establishment of the **National Council for Social Protection (ESYKP)** is being brought forward. ESYKP’s competency will be the study, monitoring and assessment of actions taken towards social protection in Greece. It will produce annual reports on the social situation in the country and will study the need for instituting a poverty line. The need for setting up a monitoring and assessment mechanism has been stressed by all social partners.

- **Family** is being supported through a series of actions aiming at a) expanding the available infrastructure for the provision of social care services, b) strengthening family income and promoting women's equal opportunities, c) education and training, d) fighting childhood poverty. Examples are the strengthening, multiplication and modernisation of social care units, such as nurseries and all-day schools, the creation of a new institutional framework for supporting low income families and families with many children, also supported through the recent tax reform, the pilot implementation of a study conducted in cooperation with the local authorities, the Church and NGOs for the fight against childhood poverty and the re-examination and application at national level of child sponsorships.
- The **vulnerable social groups** are supported through financial assistance to the elderly and tax relieves for the low income groups. Furthermore, the **National Dialogue for Social Security** aims to secure a dignified socio-economic standard of living for the over 65 year-olds, through a dignified minimum pension, supplemented by a series of other provisions, such as health care, transport, lodging etc.
- Social exclusion of **Persons with Disabilities (PwD)** is being tackled through the provision of improved access to public services, to new technologies (internet and telecommunications), to education and employment, while a study is currently underway on the application of the UN Standard Rules for equal opportunities. Furthermore, the **National Observatory for Persons with Disabilities** has been activated and is pushing forward with the compilation of the first ever official record of PwD in Greece. In addition, special analytical programmes are being implemented for the education and skill development of PwD, while appropriate teaching tools, methods and material in printed or electronic form are being designed, produced and implemented.
- Regarding **education** in particular, a major effort is being made for the operation of a system for early and systematic detection of students with learning difficulties and speech impediments. Action is being taken in order to increase teachers' awareness and information on this subject.
- **Special Education School Units** throughout the country are being equipped with computing and other special facilities in order to meet the educational needs of students with hearing, vision, mobility and mental disabilities.

- Social inclusion of **immigrants** is being promoted through the simplification of the legalization process and the unification of the residence and work permits. Specific action is taken for the effective implementation of existing legislation against human **trafficking**, concerning primarily female immigrants, along with additional measures for the support of victims of human trafficking.
- Specific action is being taken in order to facilitate the **adaptation of students with cultural and language differences** to the educational system. The initiatives taken in this direction include training and increasing awareness of teachers, the operation of intercultural schools, the introduction of crash courses and welcome classes in schools with a high concentration of target-group students, the compilation of complementary teaching material, the provision of parent and student support services, etc.
- Concerning **higher education**, the establishment of the International Hellenic University (IHU) is underway. The relevant legislative act (Law 3391/2005) has been adopted by the Hellenic Parliament. This is the first systematic action undertaken by the state for making Greek higher education accessible to foreign students. It will be primarily targeting students from the immediate and wider geographical neighborhood, but also expatriate Greeks from Western Europe and America, aiming at facilitating the smooth integration of foreign students to the modern Greek reality.

8. Rebuilding Public Administration

Public Administration Reform is a strategic choice of the Greek government, in recognition of the decisive role that improved public administration can play in creating the necessary conditions for economic and social progress. The main targets in upgrading the state's administrative functions are:

- **Improving the productivity and quality of public services.** Enhancing public administration performance is directly linked to improving effectiveness and efficiency and thus also reducing the operational costs of public services. The optimal use of available resources is the basic operational goal of the reform programme in public administration.

- **Establishing an evaluation system for the impact of new legislation on competitiveness.** The institutionalization of mechanisms and structures that facilitate the effectiveness of new legislation is a vital element of public administration reform.
- **Lifting administrative barriers.** This intervention aims to render public administration friendlier, faster, flexible and less expensive, thus facilitating entrepreneurial activity and contributing to an improved quality of life for citizens.
- **Preventing exclusion from the knowledge-based society.** Improved access for all citizens to the available public services is a vital element of public administration reform. This will materialize the contribution of public administration to the promotion of social justice.
- **Social integration of immigrants.** Immigration policy is being re-designed (L. 3386/2005), aiming at the smooth integration of immigrants in the country's social web through the simplification of administrative legalization processes and the unification of the residence and work permits. In addition, this legislation contributes to the reduction of unregistered employment.
- **Administrative transparency – fighting corruption.** The creation of two-way communication channels between public services and citizens and the participation of the latter in decision making, as well as the transparent and efficient allocation of public funds are among the analytical targets of the reform in public administration.
- **The Development of electronic governance.** An elementary factor in public administration reform is the development of the necessary technological and institutional environment that will enable public services to utilize the new technologies.
- **Establishing a framework for life-long learning and training of public servants.** The development of human resources in public services is a necessary condition for the improvement of administrative competence. A central aspect of the reform in public administration is the continuous, methodical and systematic development of knowledge, abilities and skills of public servants. The aim is to introduce a human resources management system focused on providing citizens with improved services and on completing the transition from competence

administration to results management. As part of this effort, branches of the National School of Public Administration have been established in the regions.

- **Improving inter-regional cooperation.** An important target of the reforms in public administration is to improve the organizational structure of decentralization. Rational decentralization and balanced regional development are viewed as necessary prerequisites in reducing regional inequality.
- **Transforming Citizens' Service Centers (KEP) into integrated transactions centers.** Adaptation to citizens' needs requires the continuous simplification of administrative procedures and the re-definition of the relation between citizens and public services. At the heart of this process lies the transformation of KEPs into one-stop shops.

The timetable for achieving these targets is directly linked to the programmes "POLITIA: Reforming Public Administration 2005-2007" and "THISEAS 2005-2009".

These are two mutually complementary programmes. The former refers mainly to central and decentralized administration, although it does include targeted actions aimed towards local authorities. The latter concerns exclusively first-level local administration. These two programmes coincide both, in content and in implementation horizon with the NRP (2005-2008) and promote the cooperation required for substantial improvements in the competence of public administration.

It should be noted that the planned intermediate assessment of these programmes will help improve on possible shortcomings and will allow to shift weight accordingly. This will ensure continuous targeting in the improvement of public administration that can incorporate related programmes within the Lisbon Strategy. In this sense, the timetable for improving administrative competence is flexible enough to adjust to emerging new circumstances.

The reforms in public administration are already underway. A number of legislative initiatives have been taken in order to create the necessary institutional environment

for achieving the aforementioned targets. Among the measures already under implementation are:

- Law 3242/2004 which **simplifies administrative procedures**. This includes the establishment and operation of a central committee for the simplification of administrative procedures, the collection of documents required for a procedure within public services, without the citizen's involvement (subject to his/her permission), the institutionalization of tele-conferencing and the replacement of a number of certification papers by a formal statement signed by the citizen.
- Law 3260/2004 introduced a **new promotion system in public administration**, establishing the institute of tenure for General Directors and Directors.
- Law 3247/2004 settled various issues on the **organization and operation of first and second level local administration**.
- Law 3345/2005 settled **financial issues of 2nd level Local Administration**.

9. Employment – Training – Education

The smooth operation of the labour market is a basic prerequisite for a stable economic environment and reinforces the economy's competitiveness. Regulating labour relations not only affects productivity, but also influences investment decisions, as well as the overall development potential of the economy. Education and training also play a decisive role in the effective operation of the labour market. Human capital constitutes a basic component of the production process and is a necessary prerequisite for increased productivity.

To this end, and in support to the overall reform programme implemented by the government, the Ministry of Employment and Social Protection is planning the restructuring of the Public Employment Agencies (DYA), with the aim to establish a flexible framework for matching labour demand and supply, improve the provision of training and promote research on employment and pension issues, in cooperation with the social partners, and as part of a wider social dialogue.

9.1 Policy Priorities

Reinforcing the Greek economy's competitiveness, while strengthening social cohesion, constitutes a dual objective pervading all policies of the Greek government. The effective operation of the labour market- at individual and corporate level -is both the outcome and a requirement for the success of all economic and social development objectives.

The Ministry of Employment and Social Protection centers its strategy around the mobilization of the economic and human resources of the country as a whole, by boosting competitiveness, quality and innovation and by utilizing the country's competitive advantages, in order to create more and better jobs -accessible to all - and develop the country's regions.

Specifically, the Ministry of Employment-in cooperation with other Ministries, Social Partners, Municipal authorities and other institutions involved, focuses its actions on the following targets:

- **Achieve full-employment conditions:** secure existing jobs while creating new ones, thus increasing employment and reducing unemployment.
- **Improve labour quality and, hence labour productivity:** Improvement of labour's inherent characteristics (work satisfaction, working hours, type of work, of the matching of work characteristics to worker's skills, training opportunities and life long learning), together with the improvement of the broader characteristics of the labour market (gender equality, hygiene and safety at work, social dialogue, combat against discriminations in the labour market, etc.) At this point, it must be emphasized that the improvement of labour quality will have a positive impact on the increase of employment and productivity and on economic and social development.
- **Improve the adaptability of businesses and the labour force to the changing conditions of international competition and to technological and productivity developments:** reinforcement of flexibility in the labour market while protecting workers' rights, in order to achieve increased efficiency in businesses and the best possible utilization of the labour force, improvement of the labour force skills to meet changing market conditions, improvements in matching labour demand

with supply, improvements in the regulatory framework in order to reinforce the participation of all social groups in the labour market through contract variety (full-time, part-time, etc) and the introduction of incentives for moving from “undeclared work “registered” employment.

- **Increase female participation in the labour market and promote equal opportunities at work.** Specific action is being taken in order to encourage women to enter and stay in the labour market. This includes the expansion and modernization of social care infrastructure, such as nurseries and all-day schools, but also measures aiming at reducing the wage gap, promoting equal opportunities in career development and equality in quality and safety standards.
- **Decrease social exclusion and improve social cohesion,** in order to utilize more effectively the available skills and abilities of the labour force and in order to improve access to the labour market and professional development for all and especially the more vulnerable social groups. Also improve the competence of the social security system in the fight against poverty and social exclusion.

To achieve the abovementioned objectives, the Ministry of Employment, places great importance on taking appropriate measures for improving the operation of existing organizations and institutions. Great importance is also placed (on policy coordination, implementation and evaluation, with the aim to improve effectiveness and increase efficiency in resource allocation.

9.2 Main Trends and Challenges

In recent years, the Greek economy has been characterized by high economic growth rates (4.7% in 2004) which, however, were not accompanied by a proportionate job creation rate. The challenge facing the Greek government is to reinforce economic and regional development, while creating the necessary conditions for adequate job creation.

The Greek economy is characterized by the relatively high contribution by the primary sector, which over the years has been markedly reduced, and by a large number of very small businesses, which makes structural change very difficult.

The policy of the Greek government focuses on structural changes that will maximize the efficiency of the economy as a whole, in response to international developments in technology, energy prices, etc.). The aim is to improve the adaptability of businesses' and the labour force to the evolving economic environment.

The Greek labour market suffers from relatively low participation rates, partly due to the low participation of women. Employment levels are also low compared to the European average, while unemployment rates have remained high for a number of years. It must be noted, though, that a small increase in the employment rate and a small drop in unemployment were registered last year. The persistence of high unemployment rates can be attributed to a significant extent to the steady shrinking of the primary sector. The following tables summarize the developments in employment and unemployment rates in Greece over the period 2001-2004, based on EUROSTAT data.

Employment Rates in Greece by Gender (15-64 years old)

	Total	Males	Females
2001	56,3%	71,4%	41,5%
2002	57,5%	72,2%	42,9%
2003	58,7%	73,4%	44,3%
2004	59,4%	73,7%	45,2%

Source: EUROSTAT

Unemployment Rates in Greece by Gender (15+ years old)

	Total	Males	Females
2001	10,8%	7,3%	16,2%
2002	10,3%	6,8%	15,6%
2003	9,7%	6,2%	15,0%
2004	10,5%	6,6%	16,2%

Source: EUROSTAT

Although the total and female employment rates for the 15-64 year olds have been improving significantly over time, the employment rate for those between 55-64 years of age dropped between 2003 and 2004 from 41,3% to 39,4%.

The following tables present the most recent data by the National Statistical Service (NSS) on the total participation and (un)employment rates during the first quarter of 2004 and 2005, as well as the employment structure by sector of economic activity for the second quarter of 2003 and 2004.

Total Labour Force Participation, Employment and Unemployment Rates

	1st quarter 2004	1st quarter 2005
Labour force participation (15-64 years old)	66.28%	66.66%
Employment (15-64 years old)	58.65%	59.52%
Unemployment (over 15 years old)	11.35%	10.41%

Source: N. STATISTICS SERVICE, Labour Force Survey

Employed (thousands) above 15 years of age, by sector of economic activity, for 2003-2004

Economic activity sectors	2nd quarter 2003	Percentage	2nd quarter 2004	Percentage
Primary sector	655.5	15.29%	545.6	12.60%
Secondary sector	965.8	22.53%	973.5	22.48%
Tertiary sector	2665.2	62.18%	2811.4	64.92%
Total	4286.6	100.00%	4330.5	100.00%

Source: N. STATISTICS SERVICE, Labour Force Survey

On the basis of the above, we notice that the increase in the total number of employed individuals in 2003-2004 was derived, mainly, from an increase in the tertiary sector's employment.

The great challenges facing the Ministry of Employment are on the one hand the higher activation of the population in the labour market, and on the other the achievement of higher employment rates and lower unemployment. With the population's activation what is sought for is for a larger part of the population to get active in the labour market so as, coupled with the creation of jobs, to contribute to the personal and social prosperity of the country. Undoubtedly, the activation of a larger part of the population puts more pressure on unemployment rates and reinforces

efforts to contain unemployment. The challenge of decreasing unemployment can be dealt with in four levels:

- Effort to decrease unemployment of insufficient demand (mainly with development, taxation and structural measures)
- Effort to decrease structural unemployment by improving demand characteristics (education-training pertinent to market's needs)
- Effort to decrease frictional unemployment, by improving the operation of organizations that deal with the demand-supply coupling.
- Effort to decrease seasonal unemployment (by taking specific measures on a case by case basis)

It must be noted at this point that unemployment in Greece affects to a larger extent certain social groups and mainly young people and women, disabled individuals and certain geographical areas. We reach the same conclusions when we examine other labour market indicators, such as contribution in the labour force and employment rates, but also qualitative characteristics of employment. On the contrary, at least with regard to quantitative percentages, not only do not have a disadvantageous place in the Greek labour market, but have the lowest unemployment rate of the total population (a trimester 2005 9.4% vs. a total unemployment rate of 10.4%). Furthermore, immigrants have higher employment rates than the total population, which can be accounted for to a certain degree by their smaller average age level, compared to the rest of the population.

Increased and equal participation of women in the labour market is another major challenge for the Ministry of Employment which, together with the General Secretariat for Equality, plans and implements relevant policies. The unemployment of women remains double that of the male labour force, while the participation of women in the labour force and in employment is still very low. During the last year a small improvement has been marked, which, however should not mean that the problem has been solved. The problem of female employment has to be dealt with horizontal and specific measures as well as changes in the institutional framework, which is expected to facilitate the entry of more women into the labour market.

Percentages of female participation in the labour force, employment and unemployment

	1st quarter 2004	1st quarter 2005
Participation in labour force (15-64 years old)	53.72%	54.04%
Employment (15-64 years old)	44.45%	45.28%
Unemployment (over 15 years old)	17.10%	16.08%

Source: N. STATISTICS SERVICE, Labour Force Survey

The prevailing employment status in the Greek labour market is full-time, permanent employment. Greek employees work longer hours than employees in most of the other European countries and remain in the same position and in the same profession for a long period of time. Often they are self-employed and rarely do they hold part time jobs.

The low employment levels, coupled with the low professional and geographical mobility characterizing the Greek labour market, intensify the need for greater flexibility in the market through the use of a larger number of contract types, so that a contract suitable to the characteristics of the business and of the labour force may be chosen. The reinforcement of flexibility in labour contracts and other special matters, such as working hours, will come into effect without compromising the security of employment, in order to have a beneficial effect to both businesses and employees.

It is believed, as showed in the following tables that the preservation of high growth rates during this year and, in short term, together with the planned structural changes will contribute greatly to the creation of a satisfactory number of new jobs, with the unemployment and employment rates continuing to improve.

Labour Market Projections (Total Population)

	2004	2005*	2008*	2010*
Employment	4313,2	4373,6	4573,4	4711,6
<i>% change</i>	<i>0,9</i>	<i>1,4</i>	<i>1,5</i>	<i>1,5</i>
Employment (15-64)	4234,8	4294,1	4490,2	4625,9

Employment Rate	59,4%	60,1%	62,5%	64,1%
<i>% change</i>	<i>1,3</i>	<i>1,4</i>	<i>1,5</i>	<i>1,5</i>
Unemployment	505,7	488,7	421,4	373,5
Unemployment Rate	10,5%	10,1%	8,4%	7,3%

*projections

Data for the year 2004 and projections for subsequent years are based on the results of the Labour Force Survey conducted by the National Statistical Service of Greece. These results are not comparable to data on a National Accounts basis.

Labour Market Projections (Females)

	2004	2005*	2008*	2010*
Employment	1642,3	1675,1	1777,7	1860,4
<i>% change</i>	<i>1,9</i>	<i>2,0</i>	<i>2,0</i>	<i>2,3</i>
Employment (15-64)	1621,5	1653,9	1755,2	1833,2
Employment Rate	45,2	46,1	48,9	51,0
<i>% change</i>	<i>2,2</i>	<i>2,0</i>	<i>2,0</i>	<i>2,2</i>
Unemployment	317,5	314,1	302,4	282,5
Unemployment Rate	16,2	15,8	14,5	13,2

*projections

Data for the year 2004 and projections for subsequent years are based on the results of the Labour Force Survey conducted by the National Statistical Service of Greece. These results are not comparable to data on a National Accounts basis.

9.3 Measures and Policies

Given the specific features of the Greek labour market and the Lisbon Strategy principles that were agreed upon at European level, the Greek government is taking a series of actions that aim at swift convergence of employment indicators to the EU average.

The implementation of the employment policy aims to increase the employment rate, improve the quality and productivity of labour and promote social and regional cohesion. Important steps have been made with regard to the 2004 EU recommendation for increased workers and enterprises' adaptability and, more specifically, the full implementation of labour market reforms.

It is a high priority for the government to create a satisfactory number of jobs and to improve the quality of work. The investment and tax measures taken, combined with the new law on employment issues (L. 3385/2005), aim at providing investment incentives that will generate jobs throughout the country and especially in the periphery.

The structural measures taken for the economy as a whole and the labour market in particular share the same target. In the labour market, the actions taken place particular weight in **promoting part-time** and other flexible forms of employment. It is anticipated that **increased flexibility** – achieved while **maintaining job security** – will generate new jobs and encourage participation by those willing to work under such contracts.

It is within this intention that the institutional consolidation of full and part-time employment, in the Public sector, of women and sensitive target groups (families with many children, individuals with disabilities, etc) (L.3250/2004) is reinforced. Also reinforced is the operation of Private Employment Agencies and of Part time employment associations, where labour and insurance rights of the labour force are fully secured. Furthermore, the new law (3385/2005) for the promotion of employment and the reinforcement of social cohesion is expected to contribute significantly to the efforts being made by the government to increase employment.

As analytically presented in the National Action Plan for Employment of 2004 (NAPE), the **in-depth upgrading of the Public Employment Agencies** has already produced positive results in activating the unemployed, by utilizing the method of personalized intervention and the special programmes they attend for the improvement of their skills, resulting in the decrease of the percentage of registered

unemployed in the Organizations records by 14.2% since January 2004. It has also resulted in the increase of beneficiaries from active measures to 50% of job seekers through OAED (Greek Manpower Employment Organisation), by the end of the year. It should be underscored that programmes reinforcing the employability of the unemployed have become highly specialized based on market sectors' needs (environmental programmes, tourism) and also on special characteristics of the unemployed (sex, age etc), the emphasis being on women and young people. The constant efforts of the Public Employment Agencies to upgrade (quality wise and quantity wise) their services, is in line with the relevant suggestion by the EU to “undertake more intense actions for increasing the standards and the efficiency of active policies in the labour market”.

Taking into consideration the suggestions for “attracting more people to the labour market”, the Ministry of Employment has made it its top priority to decrease unemployment and increase employment of the two social groups hit the hardest by unemployment in Greece, namely young people and women. These two groups are expected to benefit the most from the promotion of flexible labour relations.

Especially for women, in cooperation with the General Secretariat for Equality, the existing supporting structure that facilitates the harmonious coexistence of family and professional life is reinforced. The **institutional framework for parental leave** has also been readjusted for the same purpose. In the light of the special features and structure of the Greek family, access and participation of women in the labour market is promoted through the operation of **Social Care structures** (Baby and children's care centers, Centers for Creative Occupation of Children, Social Care Units, etc). Incentives are provided for the active contribution of the private sector in this direction, by encouraging the setting up and operation of day care units within the larger corporations. These actions help women disengage from their increased social obligations (Child upbringing, care of elderly people) and become active members of the labour market, either as employees or self-employed. At present, there are 1097 structures, employing 4150 individuals, with a capacity for more than 48000. According to statistical estimations, the number of women available is set to be more than 39500.

One very basic innovative action that influences the employment of women is being promoted in the field of education. This action refers to the **planning and implementation of educational programmes in “all-day schools”**, for Nursery as well as Primary schools. Its main aim is to fight future school drop outs, within the framework of a much broader targeting, as it seeks to enrich nursery and primary education with new actions that will improve students’ performance and increase their knowledge and skills. This action has a dual result, as on the one hand it operates preventively to eliminate school failure and dropping out, and on the other, it helps parents (especially mothers) to work or improve their professional qualifications. The educational model for the All-day School is based on an integrated intervention that uses individualized teaching methods, by utilizing new technologies, and extends morning schools hours into the early afternoon hours, to cover students learning needs as much as the professional-social needs of parents. It is estimated that by 2006 there will be in operation 4500 all-day schools and 2000 all-day kindergartens.

There also exist **special programmes for unemployed women and young people**, to assist them in effectively entering the labour market and in this regard the constant improvement of the operation of the Public Employment Services is of great importance. Lastly, taking into consideration the suggestion for “active aging” there exist special programmes under OAED for the occupation of older people, aiming to keep them occupied as well as to assist them in obtaining social security stamps needed to be entitled to a pension in the next few years. Specifically, private enterprises and enterprises of the broader public sector that employ unemployed-requiring up to 1500 social security stamps and from one month to five years to reach a pension age limit- are being subsidized. Furthermore, during the next programme policy period 2007-2013 great emphasis will be placed on the training of unemployed and older employed individuals to upgrade their skills and their professional qualifications.

A top priority issue for the government is the **battle against labour market exclusion and social exclusion**. In the National Action Plan for Social Integration 2005-2006, the measures taken for the reduction of social exclusion are presented analytically. Given the fact that exclusion from the labour market often leads to poverty and social exclusion, the measures taken to eliminate discrimination of labour

market entry and progress, are of the utmost importance. Specific measures for immigrants, individuals with disabilities, gypsies and individuals with limited skills, are also included.

To **improve matching procedures between labour supply and demand**, and to reduce frictional and structural unemployment, the emphasis has been placed on three sectors: first, on the improvement of conjunction procedures in the Public Employment Services, secondly, on the continuous registration, of the needs for certain skills and specialties, by the Employment Observatory of OAED, which, in April 2004, in cooperation with EU, conducted a methodology which is now being applied in all new research projects implemented in this period, and thirdly on the modernization of training and educational systems, so that market needs may be reflected in their programmes. This procedure is regularized by the new **Law on Life Long Learning** (Law 3369/2005)

The **reinforcement of the institutional framework for flexible employment forms** and the new law for the **arrangement of working hours** (Law 3385/2005) are expected to produce favorable changes in the labour market for businesses and the labour force as well. The promotion of flexibility- with parallel guarantees for the safeguarding of employment- provides businesses with the flexibility they need to become more competitive and efficient in their work, preserving jobs and creating the conditions for more employment opportunities. At the same time, a **variety in labour contracts** (full-time, part-time, seasonal employment) provides the necessary platform for choosing the right ones, depending on the characteristics and preferences of the labour force.

Furthermore, to achieve the **reinforcement of geographical mobility**, Public Employment Agency 50233/3.5.2004 makes provision for the reinforcement of unemployed individuals who have moved from their place of residence, in order to work, with an increased rent subsidy. OAED's programmes for the facilitation of the labour force geographical mobility are very important, since those that have been relocated, for employment of a limited time span to reinforce the primary sector, are being subsidized

As to **professional mobility**, a new special provision –effective 1/1/2005/- favors those occupied in new forms of employment. A very important parameter in promoting labour mobility is the equation-for pension purposes- of working days spent in part time with those spent in full time employment. Salaried workers that have signed a contract of part time employment, according to Law 1892/90, are insured in IKA-ETAM, just like full time employees, irrespective of their daily work duration. As long as their contractual working hours are at least half of the legal working hours, all their days of work count for IKA-ETAM (Social Security Fund) insurance, whereas a special insurance status (1st) has been set up for them, since the law came into effect. (Same applies to working alternately).

Moreover, **with the institution of successive insurance**, the social security system serves employees' mobility demands, from sector to sector, and from full to part time employment and vice versa, without creating anti incentives in relation to pension granting requirements.

Salaries and other labour related costs are regulated by collective labour agreements, set up with the contribution of social partners. At the same time, measures to combat unemployment- Law 3227/2004- have been activated, and subsidized unemployed individuals may be hired in full or part time positions for as long as the subsidization lasts, and be paid according to the provisions applying for the rest of the employees of the same employer.(Ministerial Decision 30874-23.6.2004).

Taking into consideration E.U 's suggestion for the promotion of Life Long Learning, the Ministry of Employment and the Ministry of National Education and Religious Affairs promoted the new law for **Life long Learning** (Law 3369/2005). This Law constitutes the first integrated strategy on life-long learning at national level, in contrast to the frequently fragmental and incoherent policies of the past. By utilizing national and international experience in life-long learning, the new law promotes business oriented educational activities, tackles exclusion and in general sets capital investment and investment in education and training on the same level. Within this initiative, the National System for Linking Vocational Education and Training to

Employment (ESSEEKA) is gradually being re-activated, the competence of the institutions involved is being clearly defined and the National Committee for Life-Long Learning is being established for the coordination of policies at national level and for providing a link between life-long-learning and ESSEEKA.

Specifically, great efforts will be made to combat **adult illiteracy**, for individuals who have dropped out of school prematurely, mainly through **Second Chance Schools and Adult Training Centers** that will be established throughout the country (according to plans, within 2006, there must be one Second Chance School and one Adult Training Centre in every Prefecture).

Regarding **higher education** the efforts will continue for further development of Life Long Learning through the Greek Open University, through departmental programmes of additional education, through the Institutes for Life Long Learning and through Distance Learning (by employing new technologies).

9.3.1 Initial Vocational Training

As to the **connection of educational and training systems with the labour market**, existing consultation and orientation structures will be further developed. These structures are the **Centers of Consultation and Guidance**, (KE.SY.P), the **Offices of Consultation and Career Guidance** (GRA.S.E.P) and the National Centre for Career Guidance. The elaboration of informative material and tools for all students, including incapacitated students or student groups with a high risk factor for social exclusion, will continue to expand. At the same time, the training of executives wishing to offer their services in the new GRA.S.E.P will continue. According to estimates, within 2006, there will be in operation 75 KE.S.Y.P and 570 GRA.S.E.P, with a staff of 2200 to offer relevant services. The beneficiaries of the services of these institutions are estimated to exceed 500,000.

Furthermore, within the framework of **upgrading of studies in the Institutes of Vocational Training (I.E.K)**, the Organization of Vocational Education and Training (O.E.E.K) will expand its programmes of practical exercises and will offer additional educational actions, focusing on innovative specialties and on remote areas, so that I.E.K graduates to obtain all the necessary, for the labour market, skills and knowledge. A future plan includes the establishment of regional libraries and the

development of education from distance programmes, mainly for working students or women obliged to stay at home. In addition, private I.E.Ks are being reinforced through indirect funding in the form of scholarships from O.E.E.K, the final recipients being students.

Very important initiatives will also be taken to **combat school dropping out**. Premature school dropping out and the lack of opportunity to utilize what the educational system has to offer, leads to a limitation of professional options and, consequently, to social exclusion. Within this framework, programmes of reinforced teaching for high school students and additional teaching support for lyceum and Technological Vocational students Institutions' are implemented, especially in areas where a high number of vulnerable, low income social groups is registered. These programmes aim to help these students avoid school failure and prevent them from dropping out of school –which will eventually lead them to exclusion from the labour market. It is estimated that in 2006 the number of students to benefit will exceed 250,000.

9.3.2 Continuous Vocational Training

The speed of technological and organizational changes in the productive process, leads the human force to a constant need for the acquisition of new knowledge and for the development of skills. The role of training and of education becomes primary, for the unemployed and the employed alike, with regard to the reinforcement of employment perspectives and professional progress as well. The creation of a strong labour force together with a viable and competitive business environment constitutes the basic parameter for the increase of employment and the development of Greek economy. During 2000-2006 it is estimated that 130,000 unemployed and 95,000 employed individuals, have been or will be trained.

In addition, “Vocational Training S.A.” is implementing pilot programmes on combined training, with the aim to identify best practices and apply them to a wider range of activities.

Within the framework of upgrading the quality and the effectiveness of vocational training systems, decisive is the contribution of the certification procedure, through

which the response, of certain characteristics of an entity with specific demands, is being evaluated.

The Ministry of Employment and Social Protection, as the responsible national institution for Continuous Vocational training, has, through the National Certification Centre (EKEPIS), already proceeded to the planning and implementation of certification procedures, which will be completed by the end of this programme period.

The system for the certification of institutions and their structures is linked to their infrastructures and regards institutes with programmes for the implementation of Continuous Vocational training (KEK), specialized KEK for disabled people and former drug addicts. The human potential certification system regards professional categories (Continuous Vocational training trainers, SYE executives, OAED labour consultants). Finally, the programmes certification system is directly linked to the upgrading of the quality of SEK applications programmes of continuous training. The completion of the above certification programmes will contribute to the creation of an integrated and qualitatively upgraded SEK system in Greece.

To adapt educational and training systems to the new demands of the market, it is imperative that an early diagnosis, of skills and specialties needed, takes place, followed by the immediate adaptation of educational and training programmes to these needs. The Employment Observatory has taken some first steps in registering these needs and is moving on to the development of its methodology tools, to be in a position to provide better information to the planners of educational and training programmes, in cooperation with OEEK and Vocational training S.A. Important steps in the certification of the curriculum of educational and training programmes, have been taken by the relevant institutions of the Ministry of Education and the Ministry of Employment (O.E.E.K and E.K.E.P.I.S)

10. The Contribution of the CSF 2000-2006 and the NSRF 2007-2013 to the NRP 2005-2008

The EU co-financed development initiatives are an important aspect of the Lisbon Strategy for Greece. A significant number of actions included within the 3rd CSF and the NSRF 2007-2013 will contribute to the achievement of the priorities set in NRP 2005-2008, especially with regard to raising productivity, improving the business environment and increasing employment.

The NRP 2005-2008 covers the final years of implementation of the 3rd CSF as well as the first two years of the NSRF 2007-2013. For this reason the development strategy and contribution of the CSF and NSRF to the NRP 2005-2008 is described below in distinct subsections.

10.1. The Strategy in the Final Years of Implementation of the 3rd CSF

The strategy of the CSF 2000-2006 for real convergence, regional development and social cohesion is focusing on 7 priority areas, which are being addressed through the implementation of 25 Operational Programmes (OP), 4 Community Initiatives (CI) with the support of EU Structural Funds and through projects in the areas of the Environment and Transport, supported by the Cohesion Fund.

During initial planning (2000-2001), the Lisbon Strategy had only an indirect effect on the drawing up of Structural Funds' interventions, however, the 2004 **CSF Mid-Term Review** directed more funds towards initiatives related to the Lisbon and Göteborg priorities

Relevant studies¹ have indicated that the 3rd CSF (2000-2006) is the most significant means for the achievement of the Lisbon targets in Greece in the current programming period as the overwhelming majority of its targets coincide with the Lisbon Agenda. The proportion of CSF (2000-2006) funds allocated to actions **directly** linked with the Lisbon Strategy is estimated at **39%**, while the inclusion of actions that have an **indirect** impact on the Lisbon targets (e.g. the development of trans-European networks) raises this proportion to **48%**.

¹Thematic Evaluation of the Structural Funds' Contributions to the Lisbon Strategy. Danish Technological Institute, February 2005 και Thematic Evaluation of the Structural Funds' Contributions to the Lisbon Strategy. Case study – 3rd Community Support Framework Greece 2000-2006, September 2004.

The strategy of the NRP 2005-2008 as regards the CSF is primarily linked to the operational and implementation level. The main target is to effectively incorporate the Lisbon priorities into the current period's interventions until the completion of the CSF (2008), as well as to use the CSF as a tool for achieving the national priorities set in the current NRP by:

- tracing and systematically monitoring the subset of CSF actions that contribute towards achieving the targets of the NRP.
- accelerating implementation and successful completion of CSF projects related to the NRP by pushing forward with the simplification of the CSF management and implementation framework.
- focusing actions on supporting the Final Beneficiaries of these projects.
- promoting flexibility in implementation and placing emphasis not only in the absorption of funds, but also in the quality of implementation, on effectiveness and efficiency and on maximizing the benefits on development derived from the CSF.
- utilizing, whenever possible, reviews for channeling funds towards actions related to NRP targets.

10.2. Planning the National Strategic Reference Framework 2007-2013

10.2.1 Vision and Main Priorities of the NSRF within the Ongoing Consultation Process

The underlying approach in drawing up the strategic development policies for Greece over the period 2007-2013 within the NSRF is based on the conviction that **there are no isolated factors** that can trigger rapid real growth in Greece. By the same token, there is no **“single barrier to growth”** that needs to be lifted in order to achieve a high level of economic development. On the contrary, growth will be the outcome of an integrated set of actions, combined with a stable macroeconomic environment and a clear set of microeconomic incentives concerning private initiatives.

Nevertheless, there is need to focus on certain **priority areas**. The ongoing process of national development planning – consultation has led to a **preliminary identification** of priority areas with a number of possible policy choices. The 7 preliminary Priority Axes formulated below, include several sectors that can lift the weight of development and can become competitive at European and international level.

Based on the above, it becomes clear that the strategy for the NSRF 2007-2013 should aim at *increasing growth, employment and social cohesion and promoting real convergence with the more developed economies in the EU*. Therefore, the new development vision should be linked with *raising the living standard of Greek citizens and converging to the European average (in terms of income, purchasing power, provision of basic services and social protection)*. The strategic target of *sustainable growth and social cohesion can be achieved by promoting a competitive and dynamic knowledge-based economy that will lead to full employment through the creation of quality jobs*.

Further factors affecting the drawing up of this strategy are:

- Focusing on actions that bring out the country's advantages.
- Placing emphasis on training and knowledge, as these areas will be the source of future competitive advantages.
- Take action to improve productivity and competitiveness.
- Focused and timely planning for the next programming period.
- Formulating priorities with clear content and targets.
- Particular attention will be given to utilizing our country's geopolitical position and its importance as a pole for stability and development in Southeastern Europe. It is a major objective to utilize the country's comparative advantages in order to attract foreign investment by corporations that aim to expand their activities in the Balkans and the wider region.
- Utilize the experience gained from previous and the current programming period in promoting institutional and administrative reforms, in order to create the necessary conditions for achieving our priorities and create multiplier effects from the use of the available funds.

Out of the ongoing process of drawing up the national development plan for the period 2007-2013 and after extensive consultation with local and regional authorities, the socio-economic partners and non-governmental organizations, **seven (7) Strategic Development Axes** have been identified for the NSRF **at programming level**. The NSRF Axes are presented below with reference to the **3 main priorities of the revised Lisbon Agenda** (to make Europe a more attractive place to invest and to work; knowledge and innovation as growth factors; create more and better jobs) and the corresponding **Community Strategic Guidelines for the Cohesion Policy**.

PRIORITY AXIS No. 1: Regional Development – This axis forms the regional section of the NSRF and will include five (5) Regional Operational Programmes, one ROP for each Major Development Region (Central – Western – Eastern Macedonia & Thrace, Thessaly, Eperos, Sterea Ellada, Western Greece – Peloponnesus – Ionia, Crete – South Aegean – North Aegean, Attica). Within this axis there will be funding for works related to services of general economic interest, secondary networks (transport, minor ports, minor airfields etc.), infrastructure in education, culture, welfare, environment, health (infrastructure), urban development etc. In addition to the interventions included in the remaining axes, this axis will contribute to the promotion of the 1st priority of the Cohesion Policy («Making Europe and its regions more attractive places to invest and work») and specific aspects of its territorial dimension (e.g. «The contribution of cities to growth and jobs»)

PRIORITY AXIS No. 2: Entrepreneurship & External Openness – The second axis of the NSRF includes interventions aimed at private investment, entrepreneurship infrastructure, access to finance, R&D, innovation, tourism, shipping and the management of sports and cultural infrastructure. The 2nd axis of the NSRF supports to great extent policies related to the 1st and 2nd priorities of the revised Lisbon Strategy

PRIORITY AXIS No. 3: Reinforcement of Accessibility and Services of General Economic Interest – The 3rd axis of the NSRF has been formulated in line with the 1st priority of the European Cohesion Policy 2007-2013 and will promote interventions in the following areas: Trans-European networks, the railway network, national ports, basic energy networks, natural gas, oil and electricity.

It should be noted that apart from the direct contribution of each NSRF axis to the Lisbon priorities, it is estimated that there will also be important indirect effects on growth and employment (e.g. in terms of regional convergence, job creation etc.).

PRIORITY AXIS No. 4: Digital Convergence & Administrative Reform of Public Administration – This axis is primarily linked with the 2nd European priority on economic growth and employment («Improving knowledge and innovation for growth») but also with the governance sector, which is emphasized in the new Guidelines on the Cohesion Policy. It includes the sectors of electronic communications and ICT, e-business, e-governance, public administration reform at central, regional and local levels, interventions on public buildings, the support of final beneficiaries, start-up of various bodies and structures etc.

PRIORITY AXIS No. 5: Sustainable Development – Policies within the Göteborg priorities are promoted primarily through the 5th Axis of the NSRF (complemented by the Regional Section of the NSRF), which includes interventions like: environmentally friendly urban transport, basic environmental infrastructure on solid and waste water management, civil protection-risk prevention, protection and promotion of the natural environment, quality of urban and build environment, entrepreneurship in the area of the environment, rational management of natural resources, spatial planning.

PRIORITY AXIS No. 6: Development of Human Resources – The European Employment Strategy and the corresponding 3rd basic Lisbon priority (create more and better jobs) are promoted through the 6th Axis, which includes interventions in the fields of education, basic research, training – labour market, welfare & mental health, promotion of equal opportunities.

PRIORITY AXIS No. 7: Promotion of cross-border, transnational and inter-regional cooperation – This important regional dimension of the European Cohesion Policy is promoted through a distinct Axis in the NSRF.

It should be noted that interventions for **Rural Development and Fisheries** will be promoted through a separate National Strategic Plan, co-funded by the European Agricultural Fund for Rural Development and the European Fund for Fisheries.

10.2.2 Structural Changes in the Management and Implementation arrangements of Development Interventions.

For the effective implementation of the development strategy within the NSRF, fundamental structural changes are being promoted in the planning, management, monitoring and implementation of the development programmes:

- Management arrangements of the **National Section of the Public Investments Programme** are being reformed so that it may act as a growth promoting tool in projects that will not be EU co-financed. All public investments will be incorporated into a medium-term “**National Support Framework**”, which will be elaborated into an annual programme according to specific regulations, with a clearly specified structure and management procedures.
- The new **Regional and Sectoral OP Management Authorities** will be formed on the basis of the 7 aforementioned NSRF Development Axes. Powerful, both in terms of staff and competence, they will be independent of the programming and control mechanisms and will manage the new Operational Programmes according to an agreed framework of selection criteria and management procedures, focused on achieving the quantified targets.
- The problems that arose in the implementation of the current CSF, due to shortcomings on the part of **Final Beneficiaries**, are being addressed through the introduction of new regulations that will require such bodies to certify their competence. There will be a selection process for choosing the most efficient and competent implementation bodies. Concerning the less competent bodies, new administration methods will have to be applied (delegation of responsibilities to third parties, global grants, use of intermediate bodies, etc.).
- Meanwhile, the establishment of **5 Major Regions** is underway, for the purpose of planning, administering, monitoring and evaluating the development programming within the area of their geographical responsibility, both for co-financed and fully nationally funded programmes.
- A basic target is to create and operate appropriate mechanisms at regional level:
 - In order to rank, prepare, implement and manage development interventions/works in the Greek Regions it is contemplated to establish and activate **Regional Development Agencies (RDPs)**

- For certain actions it is contemplated to set up Societe Anonymes that will be responsible for grouping and managing the numerous projects at the level of Administrative Regions.
- Finally, some **specific objectives** for the next programming period of the Structural Funds and the current NRP are the following:
 - To ensure the coordination of the planning, implementation and monitoring processes of the two Plans (NSRF/NRP).
 - To promote the active participation of the regions, the economic and social partners in promoting the targets of the NSRF contributing to the NRP, information on the Lisbon Strategy at regional level and the exchange of best practices and results.
 - Regional “modulations” of the NRP should be encouraged.