



**ΕΛΛΗΝΙΚΗ ΔΗΜΟΚΡΑΤΙΑ**  
Υπουργείο Οικονομικών

# *Greek National Reforms Programme*

## *2013*

April 2013

## **The 2013 National Reforms Programme**

Prepared by the Council of Economic Advisors, Ministry of Finance in collaboration with the Ministry of Administrative Reform, the Ministry of Education and Life Long Learning, the Ministry of Environment, the Ministry of Labour and the Ministry of Development.

## **Introductory Note**

The Greek economy has already experienced five consecutive year of recession while projections regarding the growth rates for 2013 envisage one more year of contraction. However, on the positive side, the reforms that have already been enacted in key areas are expected to assist the recovery effort by creating a more competitive and flexible economic environment. A number of important initiatives in this respect are already in place such as the reforms in the health care sector, in the pension system, by further increasing the retirement age to 67 and to the labour market institutions. In addition, the financial system, which was adversely affected by the PSI, is in the process of recapitalization while mergers between financial institutions are in progress with a view to further strengthen the credibility and effectiveness of financial operations in Greece. These efforts, for the first time since the start of the programme, have become visible in the international business rankings where Greece has substantially improved its performance. For instance, the 2013 edition of the World Bank Doing Business Indicator shows a forward leap by eleven positions, underpinned by improvements in the in areas such as protecting investors, paying taxes, trading across borders and resolving insolvency.

The implementation risks to the adjustment programme and hence the whole agenda of structural reforms remain significant, due primarily to the slow recovery in business and consumer confidence, the contracted liquidity, and the continuous recession. Additionally, as unemployment has risen to historically high levels, affecting more severely the vulnerable groups of the population (low skilled and youngsters), the maintenance of social cohesion and social solidarity becomes a challenge and an issue of high priority as the mixture between fiscal consolidation and the provision of a social protection net needs to be carefully balanced. In any case, the return to a sustained growth can only be achieved when the structural reform agenda is fully and swiftly implemented. In this respect, the Greek Government is committed to pursue all growth-enhancing reforms which constitute a prerequisite for the stabilization of the economy and the strengthening of the basis for economic growth.

The qualitative information we provide in this National Reforms Programme by no means constitute a complete and exhaustive list of all reforms that have been completed or planned to be adopted in the near future in Greece. A vast number of reforms are being implemented in the context of the Economic Adjustment Programme and the European Commission is regularly assessing the progress and the compliance with the milestones set in the MoU. In Annex III we provide information on the status of implementation of structural reforms that are scheduled to be finished by the end of Q1-2013 according to the MoU.

Going further than the standard obligations stemming from the adjustment programme, we aim to provide here qualitative information on structural reforms on key areas of policy intervention that are in line with the effort of achieving the Europe 2020 targets. Although the continuous recession and the dramatic cuts in the public expenditure have a profound effect in approaching our nationally set targets, we believe that the some of the reforms described below will help to the better prioritization of actions and to the better and more efficient allocation of the scarce resources.

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## 1. MACROECONOMIC ENVIRONMENT AND MACROECONOMIC IMBALANCES

### 1.1 Overview of the macroeconomic scenario

Real GDP is expected to remain on negative ground in 2013 for the sixth consecutive year, having recorded a cumulative decline in real terms exceeding 20% (by the end of 2012 compared to real GDP at the end of 2007). Real growth for the current year is projected at -4.2%, with a mild recovery (0.6%) expected for 2014 followed by a gradual acceleration of growth. In any case, current technical estimates show that a reversal point for growth is likely to exist by the end of the current year.

Regarding 2012, real GDP growth decreased by 6.4%, with private consumption falling by 9.1%, mainly as a result of developments in employment, disposable income, credit expansion and consumer sentiment. Government consumption is estimated to have decreased by 4.2%, while gross fixed capital formation remained on a steeply declining trend (-19.2%). On the other hand, the contribution of the external sector to GDP change is estimated to be positive (3.7 p.p.). This development stems from real imports falling significantly (-13.8%), while real exports decreased by 2.4%. External sector developments are mainly driven by gains in domestic price and cost competitiveness with the real effective exchange rate decreasing by 11.5% (based on the Unit Labour Cost - performance relative to the rest of 36 industrial countries: double export weights).

Regarding the production side of the economy, industrial production index was down by 3.2%, with manufacturing production falling by 3.9% and electricity by 3.0%, while the indices for mining and quarrying and water supply increased by 0.6% and 0.9% respectively. The value added of the construction activity fell sharply by 15.6%, despite the fact that business expectations in the sector improved slightly.

Inflation remained on a declining trend (based on CPI: +1.5%, based on HICP: +1.1%), mainly reflecting the contraction of domestic demand. It should be noted that the growth rate of HICP for Greece is persistently lower than the corresponding of the euro zone, while core CPI has been moving on negative ground starting from September 2012.

As a result of economic activity falling sharply, employment is estimated to have decreased by 8.3%, thus resulting to an unemployment rate of 23.2% (on a national accounts basis). It is an encouraging sign, however, that developments concerning compensation per employee (-4.2% in nominal terms) and, as a result, unit labour costs (-6.1% in nominal terms) could be inducing more favourable dynamics in the labour market, also supported by structural reforms already implemented or in the pipeline.

According to the latest projections for the current year, both private and public consumption are forecast to remain on a sharply declining trend (-6.9% and -4.0%), while gross fixed capital formation is showing signs of recovery (forecast to decline by 4% compared to -19.2% in 2012). Real exports are gaining momentum (forecast to increase by 3%); this fact combined with the persistent contraction of imports (-6.4%) are resulting to a substantial positive contribution of the external sector (2.6 p.p.). Developments in aggregate demand could well result to a negative growth rate of HICP (-0.8% on average for the whole year), while employment is expected to contract further (-3.5%), with the unemployment rate culminating to 25.8%.

In the medium-term, GDP growth is expected to accelerate starting from 2014 (growth rate average: 2.4% for the 2014 – 2016 period), with private consumption returning on positive ground again as of 2015 (increasing on average by 0.7% in the 2014 – 2016 period); on the other hand, during the same period government consumption is forecast to decline further by 5% on average. Gross fixed capital formation could be the key to recovery (+11.4% on average in the 2014 – 2016 period), thus also supporting the technological restructuring process which is a core element of cost competitiveness improvements. The contribution of the external sector is expected to remain positive throughout the medium-term horizon considered in this report.

Table 1 presents the 2012 data and projections for 2013-16 for the main macroeconomic aggregates.

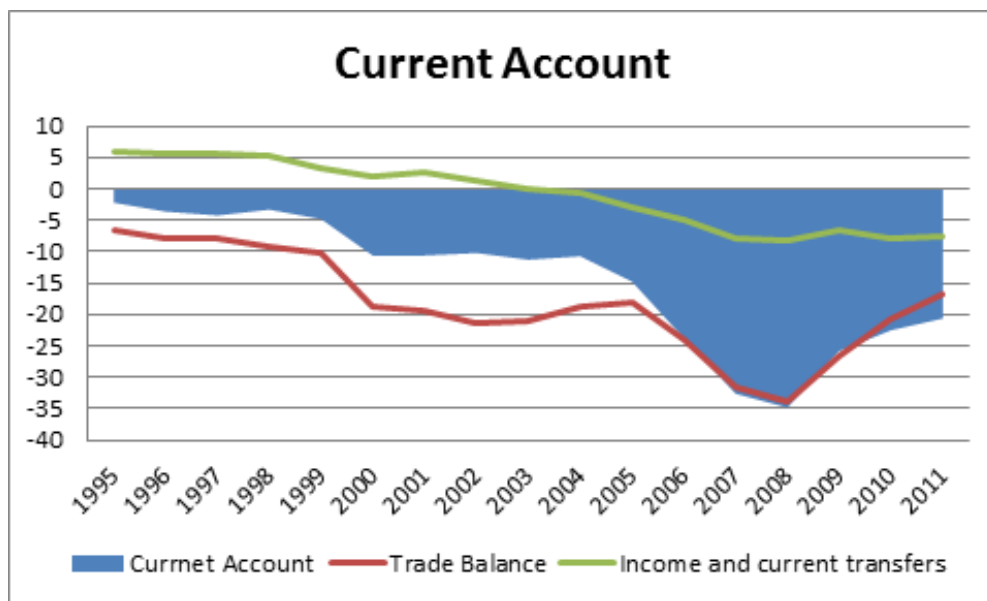
**Table 1: GDP and its components**

| % changes in volumes, except as indicated | 2012  | 2013        |      |      |      | 2016 |
|---|-------|-------------|------|------|------|------|
|   |       | projections |      |      |      |      |
| GDP                                       | -6.4  | -4.2        | 0.6  | 2.9  | 3.7  |      |
| Private consumption                       | -9.1  | -6.9        | -1.6 | 1.4  | 2.2  |      |
| Public consumption                        | -4.2  | -4.0        | -6.2 | -4.8 | -4.0 |      |
| Gross fixed capital formation             | -19.2 | -4.0        | 8.4  | 11.3 | 14.5 |      |
| Exports of goods and services             | -2.4  | 3.0         | 4.6  | 5.5  | 4.7  |      |
| Imports of goods and services             | -13.8 | -6.4        | -1.9 | 1.2  | 2.7  |      |
| Nominal GDP                               | -7.1  | -5.3        | 0.3  | 3.4  | 4.8  |      |
| HICP                                      | 1.0   | -0.8        | -0.4 | 0.7  | 1.1  |      |
| GDP deflator                              | -0.8  | -1.1        | -0.4 | 0.4  | 1.1  |      |
| Employment*                               | -8.3  | -3.5        | 0.6  | 2.6  | 4.0  |      |
| Unemployment rate*                        | 23.2  | 25.8        | 24.8 | 22.8 | 19.7 |      |

*Source: EL.STAT. and Ministry of Finance Note: \*National Accounts basis.*

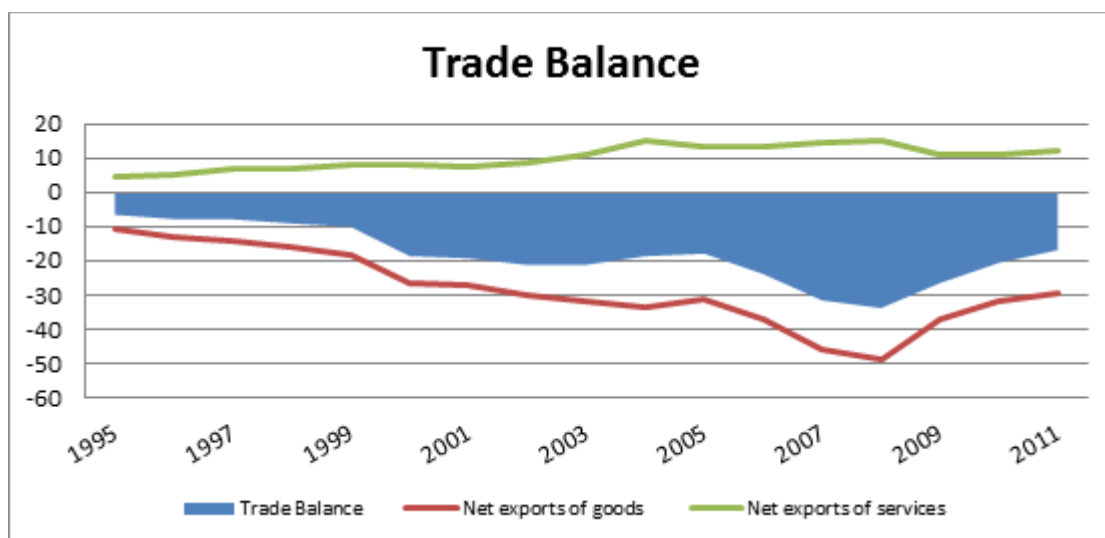
## 1.2 Macroeconomic Imbalances

Greece’s weak external performance is traced back in years. The Current Account (CA) has been negative since the 90s’. At that time, the negative impact of the trade balance has been moderated by the surplus of the Balance of Incomes and the Balance of Transfers, mostly due to workers’ remittances. However, at the beginning of the last decade the trade deficit deepened further and both the Balance of Incomes and the Balance of Transfers became negative.



Source: Ameco

Looking at the components of the Trade Balance it is evident that the Service Balance has been positive, starting from EUR 4.4 billion in 1995 rising to EUR 14.4 billion in 2008. However, the Goods Balance was negative and the common currency enabled a sharp deepening of the deficit (from EUR -11 billion in 1995 rising to EUR -48.7 billion in 2008).



Source: Ameco



The trade pattern has been broadly constant over the years. More specifically, main exporting products are manufactured goods (38%), food and live animals (17%), machinery and transport equipment (10%), mineral fuels (10%) and chemicals (9%).<sup>1</sup> The imports are concentrated in the same products showing the big import component of the Greek exports. Thus, main imports are machinery and transport equipment (31%), manufactured goods (27%), mineral fuels (13%), chemicals (13%) and food and live animals (11%).<sup>2</sup>

The EU member states receive the majority of the Greek exports of goods (63% is intra-EU and 37% is extra-EU)<sup>3</sup>. Over the last two decades the biggest EU markets for the Greek goods are Germany (16% of total exports of goods), Italy (12%), UK (6%), Bulgaria (5%), France (5%), USA (5%), Cyprus (4.5%) and Turkey (3.5%). Similarly, EU countries are the main countries of origins for the Greek imports (58% is intra-EU and 42% is extra-EU)<sup>4</sup>. More specifically, over the last two decades Greece imports goods mainly from Germany (15% of total exports of goods), Italy (12%), France (7%), Netherlands (6%), UK (5%), Russia (5%), Belgium (3.5%), USA (3.5%) and Japan (3.5%) whereas China is lately becoming a dynamic origin of imports (about 6% over the last five years).

However, the deep recession and the contractionary measures lead to a fast improvement of the CA over the last four years. So, the CA deficit decreased from -14.9 % GDP in 2008 to -3% GDP in 2012 and is expected to fall to -1.9 %GDP in 2012. The sharp reduction of the deficit is mainly due to the adjustment of the imports (-28% in current prices) as well as the net fall in interest payments due to the PSI and the debt buyback. The big burden of the debt repayment on the external balance is also obvious from the graph below which shows that the CA deficit excluding oil and General Government's interest payments was already positive in 2011; more than half of the deficit was due to GGs interest payments.

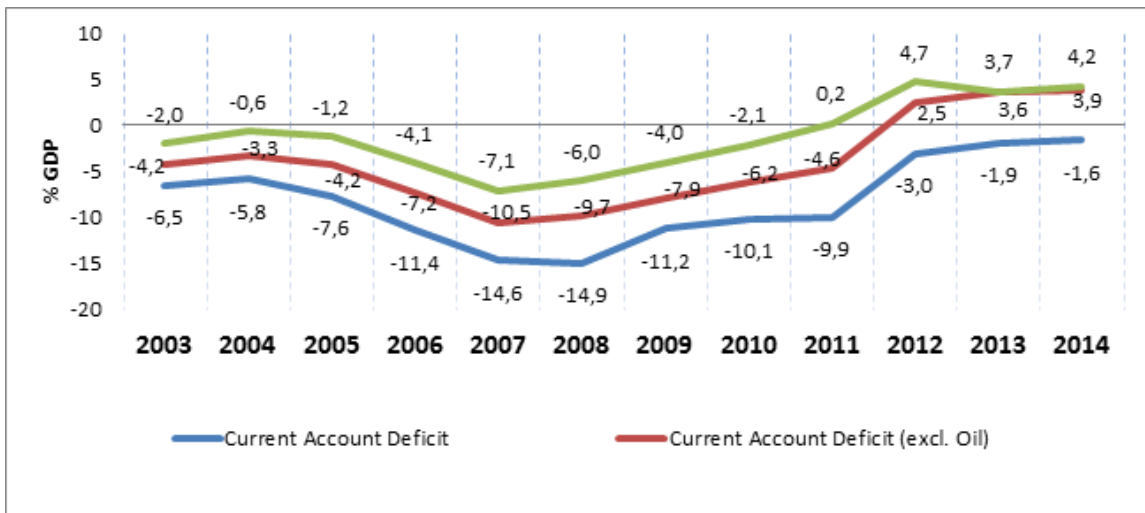
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<sup>1</sup> The figures reflect averages of total exports in goods for the period 1990-2011.

<sup>2</sup> The figures reflect averages of total imports in goods for the period 1990-2011.

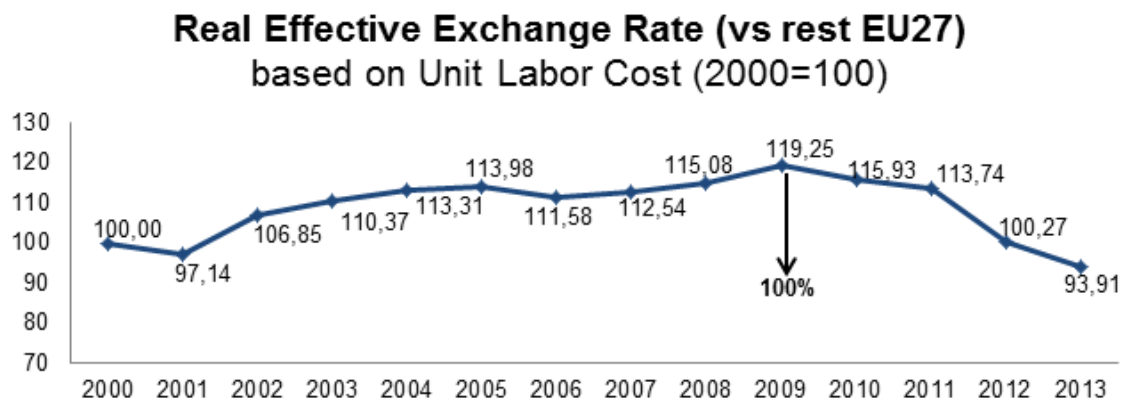
<sup>3</sup> The figures reflect averages of total exports in goods for the period 1999-2011.

<sup>4</sup> The figures reflect averages of total imports in goods for the period 1999-2011.



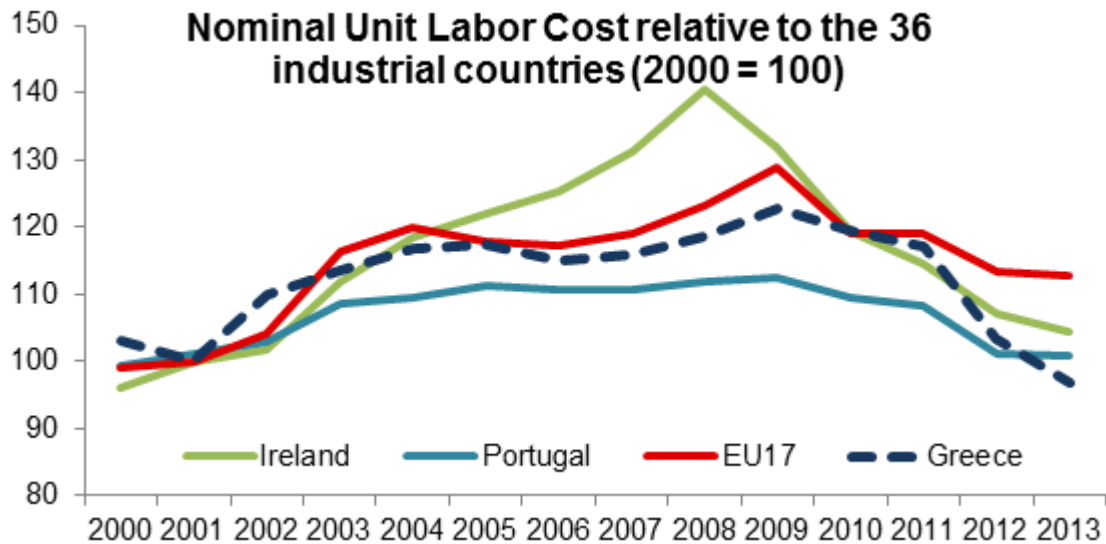
Source: Bank of Greece

The Adjustment Program of Greece has started yielding in terms of the economy’s competitiveness. The Real Effective Exchange Rate relative to the rest European countries suggests that in three years Greece has regained the price competitiveness lost over the last decade.



Source: European Commission

Similarly, Greece is projected to regain in 2013 the cost competitiveness lost over the last decade as suggested by the Nominal Unit Labour Cost relative to the rest industrial countries.



*Source: AGS- Statistical Annex, Autumn 2012*

It is self evident that competitiveness goes beyond costs and prices. A healthy and stable economic environment is needed for Greece to establish as a strong economy. Red-tape, overregulation and chronic structural problems are now being addressed via a number of structural reforms. The impact of such reforms is difficult to be measured. However, as mentioned in the introductory note, a positive sign is the “Doing Business” indicator of the World Bank. Greece, although it ranks low (79th position out of 185 economies), climbed 11 positions over the last year, thus been classified among the 10 countries having the most improved ease of doing business across several areas of regulation.

## 2. REFORMS TO PROMOTE ENTREPRENEURSHIP AND COMPETITIVENESS

The General Secretariat for Industry organized and implemented in 2012 a series of actions and initiatives with a view to support the competitiveness of the SMEs and to strengthen entrepreneurship in general. The co-funded programs designed and implemented are targeted to development activities and aligned with the key strategic policy options to strengthen entrepreneurship among SMEs in the crisis (e.g. openness, innovation). More specifically:

### 2.1 Programs under the NSRF

#### **PROGRAM “Youth Entrepreneurship "and" Women's Entrepreneurship”**

The aim of the program is to support business start-ups for youth and women, as population groups that are particularly affected by high unemployment and to shift the necessity entrepreneurship in opportunity entrepreneurship and create new jobs.

| <b>Women's Entrepreneurship</b> | Crowd Certified Proposals | Total Sponsored Budget (EUR) | Total Public Subsidy (million) |
|---------------------------------|---------------------------|------------------------------|--------------------------------|
| To all regions in Greece        | 1,151                     | 86,654,302.75                | 44,195,319.47                  |
| <b>Youth Entrepreneurship</b>   | Crowd Certified Proposals | Total Sponsored Budget (EUR) | Total Public Subsidy (million) |
| To all regions in Greece        | 1,380                     | 109,090,253,65               | 55,971,929.64                  |

#### **PROGRAM: “Clothing and Footwear-New Perspectives”**

Ongoing the implementation of the "Clothing and Footwear-New Perspectives" is (Public Budget EUR 15,000,000). This program is a targeted initiative of the Ministry to provide aid to existing Micro, Small & Medium Enterprises, activated in textiles, clothing, footwear and leather and to create the conditions to encourage innovation and enhance entrepreneurship and internationalization of companies from these sectors.

| <b>Clothing and Footwear-New Perspectives</b> | Crowd Certified Proposals | Total Sponsored Budget (EUR) | Total Public Subsidy (million) |
|---|---------------------------|------------------------------|--------------------------------|
| To all regions in Greece                      | 39                        | 4,256,299.05                 | 1,781,098.91                   |

**PROGRAM: “Internationalization – Competitiveness of Business”**

As a follow-up of announcement made for a call for projects in December 2010, the co-funded by the EU Structural Funds action “Internationalisation and Competitiveness of SMEs” of total public expenditure of (initially) EUR 30 million has been launched in February 2011. Call for projects came to an end in June 2011 resulting in 783 investment projects. After completion of the evaluation process in September 2011, 746 projects were selected as eligible for funding with a total budget of EUR 98.12 million and of EUR 44.8 million co – funded public expenditure. The programme has entered payments phase since late 2011 and is expected to be completed in 2013. More than 75%-80% of the eligible enterprises are expected to complete their projects. Future actions are been planned for a second call for projects in late spring 2013, possibly with a higher public expenditure budget. Emphasis will be maintained on the aspect of internationalisation and extroversion.

| <b>Internationalisation and Competitiveness of SMEs</b> | Crowd Certified Proposals | Total Sponsored Budget (EUR) | Total Public Subsidy (million) |
|---|---------------------------|------------------------------|--------------------------------|
| To all regions in Greece                                | 746                       | 98.127.008,38                | 44.843.925,14                  |

**PROGRAM: “New – Innovative Entrepreneurship”**

The “New – Innovative Entrepreneurship” program was launched in May 2011. Call for projects came to an end in November 2011 resulting in 1,170 investment projects. After completion of the evaluation process in June 2012, 439 projects were selected as eligible for funding with a total budget of EUR 63,135 million and of EUR 37.8 million co-funded public expenditure. The programme has entered payments phase in late 2012 and in early 2013. The programme was designed in alignment with the Lisbon Strategy and the Small Business Act priorities. It aims to improve innovation policy design and implementation, for entrepreneurs and SMEs, notably through evaluating and drawing lessons from the EU and past experience. As such, although it evaluates R&D elements and includes organisational and marketing innovation elements, it mainly aims to

support the exploitation and commercialisation of new knowledge and new ideas. Scientific excellence was not an obligatory prerequisite for success during the evaluation process. Future actions are planned for a second call for projects in spring 2013, possibly with a higher public expenditure budget. Emphasis will be maintained on the aspect of exploitation and commercialisation of new knowledge and ideas, whereas strong elements of supporting youth innovative entrepreneurship are expected to be included.

| <b>New – Innovative Entrepreneurship</b> | Crowd Certified Proposals | Total Sponsored Budget (EUR) | Total Public Subsidy (million) |
|--|---------------------------|------------------------------|--------------------------------|
| To all regions in Greece                 | 439                       | 63.135.109,78                | 37.881.065,87                  |

**PROGRAM: “Manufacturing in New Conditions”**

The implementation of the "Manufacturing in New Conditions" program of the Operational Program Competitiveness and Entrepreneurship, NSRF 2007-2013, with a budget (Public Expenditure) EUR 200,000,000.00 is continued in order to support medium, small and micro manufacturing business.

| <b>Manufacturing in New Conditions</b> | Crowd Certified Proposals | Total Sponsored Budget (EUR) | Total Public Subsidy (million) |
|--|---------------------------|------------------------------|--------------------------------|
| To all regions in Greece               | 1.849                     | 437.768.846,96               | 184.340.283,39                 |

**PROGRAM: “Green Infrastructures 2010”**

The purpose of this program is to provide the economic incentives for an alignment of interests between entrepreneurship and environment protection. The scope is to direct the entrepreneurial activity towards alternative/ industrial/ waste management, the coverage of national deficit at installations of waste management at the augmentation of capacity at the recycling sector.

The Program was launched in year 2010 and now it is under implementation. Initially, 54 projects have been approved with total budget EUR 57 million and with total public funding **EUR 22 million**, while the European contribution is coming exclusively from the ERDF. During the year

2012, an amount of EUR 1,016,781.02 has been absorbed by eligible enterprises, while during the year 2013 an amount of EUR 13,500,000.00 is expected to be absorbed further. The Programme is expected to conclude within the first semester of year 2014.

### **PROGRAM “Green Enterprise 2010”**

Similar to the “Green Infrastructures” initiative, this program aims to create the preconditions for enterprises to include the environmental dimension into their processing procedures. Specific goals of the program are the reduction of energy and environmental impact of manufacturing enterprises, the production and promotion of “green” products and services, the improvement of environmental and social profile of enterprises and the adoption of international environmental standards.

The Program was launched in year 2010 and it is now under implementation. Initially, 54 projects have been approved with total budget EUR 7.5 million and with total public funding EUR 3.3 million. During the year 2011 an amount of EUR 394,441.20 has been absorbed by eligible enterprises, during the year 2012, an amount of EUR 151,813.93 has been absorbed and during the year 2013 an amount of EUR 777,008.00 is expected to be absorbed further.

The main problems of the eligible enterprises are the difficult access to finance (loans, letters of guarantee etc.) and the serious delays at getting environmental permits and other licenses of activity.

### **PROGRAM: “Development of New Business Parks”**

The program “DEVELOPMENT OF NEW BUSINESS PARKS” is an initiative of the Ministry of Development, Competitiveness, Infrastructure, Transport and Networks under the Operational Program «Competitiveness and Entrepreneurship» aiming at the development of different types of business parks which may include a wide range of permitted activities and, as a result, the strengthening of the entrepreneurship within the framework of the country’s regional development.

The main legal- administrative instrument is the Law 3982/2011 (Gov. 143B) “Licensing of Business Parks”.

The main objective of the program “DEVELOPMENT OF NEW BUSINESS PARKS” is the development of new business parks.

More specifically, the specific objectives of the program are the following:

- Regional development and environmental protection within the framework of sustainable development.
- Industrial infrastructure improvement, mainly in areas with development and environmental problems.
- Infrastructure enhancement aiming at the qualitative entrepreneurship, the creation of the economies of scale, the effective cooperation with public or other institutions that possess the know-how, and innovation transfer and dissemination.
- Competitiveness and extrovert business activity improvement of the installed businesses.
- Entrepreneurship and employment structures enhancement and infrastructure modernization for businesses to be installed.
- Reduction of energy consumption in businesses with high operational cost.
- Improvement of the quality of life for the residents of the nearby areas by the reduction of problems caused by unplanned developments and their environmental impacts.
- Sustainable environmental management.

The program will be completed by the 30<sup>th</sup> of September, 2015.

#### **PROGRAM: “Business Relocation to Planned Industrial Areas and Business Parks”**

The Program “Business Relocation to Planned Industrial Areas and Business Parks” is an initiative of the Ministry Of Development, Competitiveness, Infrastructure, Transport and Networks under the Operational Programme «Competitiveness and Entrepreneurship» associated with the improvement of the business environment. The basic legal-administrative tool used is the Law 3982/2011 “Licensing of Business Parks”.

The objective of this program is to improve competitiveness by creating economies of scale for the enterprises that will relocate to Planned Industrial Areas and Business Parks and to reduce the environmental impact due to their operation within the urban fabric, or in other inappropriate areas, or in areas where their removal is imperative, according to rule 75 of the Law 3982/2011.

More specifically, the specific objectives of the program are the following:

- Sustainable environmental management.



- Infrastructure enhancement aimed at the qualitative entrepreneurship, the creation of the economies of scale, the strengthening cooperation with public or other institutions of know-how production, and innovation transfer and dissemination.
- Extrovert business activity improvement of the installed businesses.
- Entrepreneurship structures enhancement and infrastructure modernization for businesses to be installed.
- Reduction of energy consumption in businesses with high operational cost.
- Business activity and employment enhancing.

In particular the program will include:

1. Budget of EUR 10,000,000. (Projects of total budget EUR 20,000,000).
2. Aid percentage for each approved investment plan: 50%.
3. The enterprises subsidized by the program have to be active before the 1<sup>st</sup> of January 2009.
4. The budget per project is ranging from EUR 30,000 to EUR 400,000.

The program will be completed by the 31<sup>st</sup> of March 2015.

## 2.2 Start-Up Greece

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The start-up Greece is a digital platform for information and networking designed to showcase a new generation of entrepreneurs in Greece, bringing together people and ideas and change the perception of entrepreneurship in the country. It combines an online community of entrepreneurship with a base of knowledge and specialized information to business. In this platform, entrepreneurs, investors, executives of public agencies can be registered and share knowledge and ideas.

## 2.3 Liquidity

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### **Hellenic Fund for Entrepreneurship & Development (ETEAN S.A.)**

It was created as a wholly owned state corporation in February 2011, with start-up capital of EUR 1.7 billion. It manages and implements projects financed via the state budget; the public

investments programme; an operational programme (Competitiveness and Entrepreneurship) under the EU's National Strategic Reference Frameworks; the European Regional Development Fund; and the EU Fisheries Fund. ETEAN provides guarantees for loans in favour of small and medium-sized enterprises (SMEs) by banks and other financial institutions (such as leasing and venture-capital companies). It is focused on entrepreneurship; "green" development; "extroversion" (primarily export-focused activities); "social" entrepreneurship; and fishing and agricultural development (primarily domestic value-added processing). It also co-invests in other funds and financial-engineering instruments and has thus far created three funds for energy conservation (with a grant of EUR 200 million from the European Union's National Strategic Reference Frameworks); for fisheries promotion (with a fisheries fund grant of EUR 35 million); and for entrepreneurship (with a grant of EUR 460 million, also from the EU's National Strategic Reference Frameworks).

ETEAN has contributed its full EUR 200 million energy tranche (along with four banks) to a conservation programme called Energy Saving at Home, capitalised at EUR 800 million and initiated in November 2010. Its *Entrepreneurship Fund* was established in April 2011 and is designed to provide loans for six categories of business plans with an average rate of 4%, three under the New Investments Law (NIL; see below) and three that meet the NIL's focus targets but are not covered by it. More specifically, the Entrepreneurship Fund aims by co-funding with banks, from the one side via NIL, to support targeted business plans in the areas of general and youth entrepreneurship focusing on technology development, regional cohesion and clustering and from the other side, to support business plans for extroversion, thematic tourism, desalination, waste management, green infrastructure, green applications, renewable energy sources, innovative entrepreneurship, supply chain, food and drinks. Nearly three-fifths of the Enterprise Fund's availabilities have been earmarked to reinforce the incentives scheme. When announced, the Enterprise Fund was to have resources of EUR 1.2 billion, with ETEAN putting up EUR 400 million and commercial banks another EUR 800 million covered by the guarantees. By the third quarter of 2011, ETEAN had signed contracts with the four main commercial banks (National Bank, Alpha Bank, EFG Eurobank and Piraeus Bank). However, because of the severe austerity climate during the country's current sovereign-debt crisis, commitments had been scaled back to EUR 300 million from the fund and EUR 600 million from the banks, representing a co-funding relationship 1:2. Recently, the Investment Board of the Entrepreneurship Fund decided to reduce the budget to EUR 133 million (banks will contribute EUR 183 million, 1:1 regarding the actions mentioned above, except the action "Thematic tourism, desalination, waste management, green infrastructure, green applications, renewable energy sources" where relationship will remain 1:2), in order to release funds for the creation of a New Fund for Business Restarting which will aim to support SMEs' access to working

capital. The latter, will contribute EUR 225 million to loans for working capital to SMEs, with a co-funding relationship 1:1 with banks which will also contribute EUR 225 million. Furthermore, the Investment Board of the Entrepreneurship Fund recently decided to establish its *Guarantee Fund* for the provision of guarantees for loans aiming to support new business plans up to 10 years having a period of grace from 6 months to 2 years and for mature business plans either supported by the earlier Development Law and the National Strategic Framework Programme or not. The Guarantee Fund will receive a EUR 100 million financing from the Entrepreneurship Fund and EUR 200 million by commercial banks which intend to cooperate with it, representing a 1:3 leverage ratio.

Finally, the programme of the National Fund of Entrepreneurship and Development (ETEAN S.A.) under the title "ETEAN S.A. guarantee for letters of guarantee issued by the banks in favour of small, very small and micro-enterprises" shall facilitate the access of *existing, new and start-up (having a valid VAT no.)* SMEs to the banking sector in order to issue letters of guarantee, with ETEAN S.A. offering guarantees covering part of the amount provided for in the letter of guarantee. The budget amounts to EUR 45 million for guarantees, covering letters of guarantee up to EUR 90 million in total. The guarantees offered will be provided under the existing ETEAN S.A. own capital in cash. The period of application shall be from the date of signature of the first Cooperation Contract with the Banks until exhaustion of the Programme budget and no later than 31 December 2013. ETEAN SA shall guarantee a portfolio of letters of guarantee up to a certain amount which cannot be less than EUR 10,000 and more than EUR 150,000 per SME. The guarantee coverage rate amounts to 50%. A commission up to 0.5% per annum on the amount provided for in the portfolio of letters of guarantee, shall be paid upon the application of the guarantee and amounts to 0.5%.

### **Guarantee Fund for SMEs (HELTEp)**

On March 21st, 2012 the Funding Agreement was entered into between Greece - Ministry of Development and Infrastructure - and the European Investment Bank (EIB) on the establishment of the Guarantee Fund for Greek SMEs. The Guarantee Fund was established under this Agreement through NSRF funds of up to EUR 500 million by way of gradual payments, so that the European Investment Bank grants favourable loans of EUR 1 billion to Greek banks for on-lending to SMEs by the end of 2015. In the course of 2013, EIB is expected to sign new Finance Contracts with Banks totalling EUR 450 million in order to guarantee the 1:2 leverage which has been agreed, given that the Fund has resources of EUR 300 million and taking into account the demand on the part of Greek banks.

### 3. PUBLIC PROCUREMENT

#### **e – procurement platform (e – procurement.gov.gr)**

This is the integrated Information System, through which procurement moves from the written procedures to the electronic environment. Through the platform the government shall achieve reduction of procurement costs (for contracting authorities and for economic operators) and of time for the completion of the award of a contract as well as enhancement of competitiveness.

The platform is also expected to improve transparency, publicity and equal treatment of economic operators as well as effective monitoring through the systematic keeping of electronic databases relating to statistical and reports for public procurement for goods and services. Elaboration on such data shall provide information and knowledge on the effective operation of Public Procurement for goods and services in Greece.

The platform is designed to include modern techniques and procurement methods [e.g. electronic auction (e-auction) and dynamic purchasing systems (DPS)] and will help to reap the benefits that these methods offer. The platform also includes a general registry of economic operators (for supplies and services). It will be fully operational by July 2013.

#### **Central Electronic Public Procurement Registry**

This registry is also part of the platform. The Registry includes all requests for public procurement from EUR 1,000 and covers the whole procedure until the award of the contract and the request for payment.

#### 4. STRUCTURAL AND COHESION FUNDS

The status of implementation of the operational programmes of the NSRF is directly affected by economic developments and mainly from obligations arising from the Memorandum of Economic and Financial Policies. The acute problems for bank financing due to the crisis and the lack of liquidity makes private funding to finance projects and public-private financing operations particularly difficult. At the same time, unemployment is now one of the key problems of the Greek economy and society, affecting significantly large population groups (and target groups of NSRF interventions, especially young people and women).

To meet these challenges a series of initiatives have been undertaken such as the introduction of new financial tools, the latest revision of the Programmes of the NSRF, an action plan of targeted interventions to enhance employment and youth entrepreneurship, the revision of the Operational Programmes and the development of a list of 181 priority projects with a budget of EUR 11.5 billion in key high-value investment areas. A main objective in this phase is the quantitative and qualitative improvement in the management of the NSRF funds. Furthermore, to speed up the implementation of the NSRF, steps are taken to simplify the administration and institutional framework of co-financed projects.

The NSRF absorption of funds in terms of co-financed public expenditure from 3.5% at the end of 2009, reached 18% in 2010, 31.5% in 2011 and 45.77% in 2012 with legal obligations amounting to 83%. Moreover, the coverage of the target arising from the obligations of the Memorandum for 2012 stood at 86.24. This development phase of the NSRF 2007-2013 coincides with the commencement of planning and consultations for the next programming period 2014-2020 ("Partnership Agreement").

In an attempt to simplify the management procedures and accelerate the implementation of the co-funded projects, a systematic effort was conducted to introduce and implement critical interventions in order to tackle obstacles hindering or delaying the smooth implementation of the NSRF 2007-2013 projects. The effective confrontation of existing obstacles is not only a critical step towards the successful implementation and completion of the current NSRF 2007-2013 programming period and the achievement of the development objectives, but could moreover serve as a guide for the successful implementation of the next programming period's (2014-2020) co-funded projects.

## 5. DIGITAL AGENDA

### 5.1 Digital Spectrum

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During year 2012, Greece has finished all the relevant technical work studies for the introduction of the Digital Television Broadcasting Frequency Plan and the related network architecture/topology. Soon after, this Frequency Plan was formally introduced as a Common Ministerial Decision, upon relevant authorization foreseen in the Law 4070/2012. The Digital Television Broadcasting Frequency Plan makes feasible for Greek Administration to proceed in the licensing of network and content providers and all the necessary actions in order to meet the deadline for digital switchover in year 2015 set by the ITU Agreement as well as relevant Memorandum of Understanding obligations set by Troika (e.g. Digital Dividend).

Digital technology creates a new landscape for the use of Radio Frequencies spectrum. For this reason, following European Commission's decisions and recommendations, the frequencies 790-862MHz (otherwise the frequency band of 800Mhz), previously allocated for television broadcasting, is set free named as the Digital Dividend to be used in favour of other mobile services. To this direction, Greece has proceeded in the necessary regulatory actions in order to free the Digital Dividend band, making modification in the National Regulation on the Distribution of Frequencies. In parallel, modifications were also introduced to the Digital Television Frequency Plan due to the fact that there were assignments for digital television broadcasting remained assigned in the band of 800 MHz.

The above mentioned technical and regulatory prerequisite actions, the anticipated finalization of digital switchover and the awarding of digital dividend are expected to offer major gains through the development of a common and advanced market in the field of telecommunications, mentioning the introduction of New Generation Networks (NGN) and the access to new content services.

One of the major barriers for the development of wireless networks is the licensing procedures for antennas and relevant installations, setting back new investment in this market sector. Licensing pitfalls can be diagnosed in the area of the co – competences between many different authorities and related concerns by local communities, especially regarding relevant environmental authorizations e.g. electromagnetic radiation.

In response, with the finalization of “Electronic System for the Submission of Licensing Applications (ΣΥΛΗΑ in Greek)”, one stop shop (one entrance) process would be created whereas the interested parties can submit electronically all the necessary supporting documents to the National

Regulatory Authority – EETT and then circulated by EETT to all the competent authorities. In parallel, a ministerial decision is being introduced to ease installation of low environmental impact antennas and relevant installations; thus reducing in an important way the relevant administrative burden and speeding up the response time for antennas’ installation licensing. The above mentioned actions would also foster the installation of NGN networks.

## 5.2 Telecommunications network infrastructure

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The broadband projects, for which have been concluded project agreements with Information Society S.A., FTTH "Creation of passive Optical Fibber Network, open access to households. Provision of New Generation Telecommunication services to 156 municipalities of Greece, giving connection possibility through optical fibber to 2 billion households”, the “Development of Broadband Infrastructure to Rural White Areas of the Greek Territory and relevant implementation services (RURAL), deployment of relevant infrastructure” and the “Incorporation of Metropolitan Area Networks (MAN) with relevant National Networks” are on hold waiting for the extending of the agreement with Technical Consultants to create notification folders to DG Competition and folder of Major Project. The next steps should be to unify the three projects, to determine the financial structure of the project (NSRF, PPPs, EIB etc.) to create Project File for PPPs - Interministerial PPPs, to create the documentation of the project for DG Competition (notification procedure) and the preparation and implementation phases of the tendering process. To cost of these three projects will be EUR 230 million for FTTH, EUR 201.5 million for RURAL and EUR 7 million for the MAN. By unifying these three projects achieved cheap and fast access to broadband services for all without exception Greek territory.

For the project “Development of Digital Registry for Network Infrastructure of the Country”, which is defined in the Law 4053/2012, project agreements have been concluded with Information Society S.A., the public consultation has been completed and the proclamation of open international competition has been approved. The materialisation of the tender procedure, carried by Information Society S.A., is expected (deposit tender is scheduled for 12.03.2013). The cost of this project is EUR 435,000.

## 6. EDUCATION

### 6.1 1<sup>st</sup> educational target: the share of early school leavers should be under 10%

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#### **IN-SERVICE TRAINING FOR TEACHERS**

The implementation of reforms regarding the in-service training for teachers was significantly progressed during the school year 2012-2013. More specifically:

During the 2nd semester of 2012, the Training Program focusing on the administration executives was initiated. The first intensive programs for the acquisition of the Certificate of Administrative Efficiency were implemented, in which more than sixty-three (63) Directors of school units participated.

Regarding the In-Service Education and Training of teachers (INSET), it mainly focuses on the following:

- Targeted teacher training on the implementation of the new curricula in Compulsory Education, through valorisation of teaching approach tools (teaching method, new standardized evaluation methods)
- Teacher training on methods to organize and implement Experimental Actions and Projects, based on the principles of experimental and inquiry-based learning in the 1st grade of the upper secondary education (Lyceum).
- Training of teachers specialized in ICT, drama, music, arts and intercultural education, who are employed today in full-day primary schools using a unified and revised curriculum.
- INSET induction for newly-appointed and substitute teachers during the academic year 2012-2013.
- INSET for teachers on the use and application of ICT in the teaching practice.

#### **NEW CURRICULA**

During 2013, the new Curricula for Secondary Education are applied on a pilot basis in a restricted number of school units (188), in order to be evaluated. Upon issuing of the results of the evaluation and following the consequent improvements, the revised curricula will be introduced in all Secondary Education schools. Until today, 3.115 teachers who use the new Curricula on a pilot basis have already been trained on their implementation by valorisation of teaching approach tools (planning of the teaching approach, new standardized methods of evaluation). Upon completion of



the institutional framework (scheduled for spring 2013) we will proceed to the drafting of Curricula and the relevant educational material for the New Lyceum.

With a view to improve the provision of the Primary and Secondary Education, relevant actions have already been implemented or scheduled to be implemented in connection with all types of schools of general education, vocational education, music – art schools. More specifically, actions have been undertaken to support and reinforce the integration framework for students with disabilities or/ and special educational needs.

## **EVALUATION AND SELF-EVALUATION OF THE EDUCATIONAL WORK**

In what regards the application of Law 3848/2010 regarding the Evaluation and Self-Evaluation of the Educational Work, various actions have been implemented, such as the cooperation of school advisors with directors of school units in the drafting of the yearly school self-evaluation reports, as well as action plans for the improvement of school units. In what follows, the complete implementation of the relevant articles of Law 3848/2010 is envisaged, in order to capitalize on both the provisions of the action plan and the school unit evaluation, with a view to facilitate the exchange of information and good practices among schools.

## **SUPPORTIVE ACTIONS IN PRIMARY AND SECONDARY EDUCATION**

In order to support the structures of the Primary and Secondary levels of education, supportive actions are implemented in connection with the following:

- Support of school units using a revised unified curricula
- Establishment of a framework for excellence and promotion of good practices in Primary and Secondary Education
- Implementation of a program of specialized educational support for the integration of pupils with disabilities or/ and special educational needs
- Digital services of the Ministry of Education and Religious Affairs, Culture and Sports.

It is foreseen that some of the aforementioned actions will continue to be implemented and some will be integrated into a new strategic framework that will be initiated in 2013 and will be completed during the 1<sup>st</sup> semester of 2015.

Finally, the process of merging school units is continuing while laws have been adopted permitting the mandatory depositions of teachers from one region to another

## **DIGITAL DIMENSION**

The need for a new strategy regarding Primary and Secondary Education is urgent, where the digital dimension plays a crucial role in the modernization of the current educational process and the administration of education.

The Digital School Strategy is based on three main pillars:

- I. The creation of a single digital environment that will ensure better educational results.
- II. A better allocation of resources, by incorporating ICT as a tool for efficient administration and management of the educational system at both regional and central level.
- III. Ensuring social justice by providing equal access for all stakeholders with to all digital resources.

For the support of the aforementioned main pillars, the following actions are already being implemented or scheduled to be implemented:

- Educational Platform and digital content
- Interactive media and classroom equipment
- Broadband access to all school units
- Support of digital actions and infrastructure
- Training of the educators in the utilization of digital media.

## **ZONES OF EDUCATIONAL PRIORITY**

The Ministry of Education, taking into consideration the provisions of the Law on the Zones of Educational Priority (ZEP) (No 3879/2010, art. 26) issued a Ministerial Decision defining the regions as well as the characteristics of the Zones of Educational Priority (ZEP). ZEPs are established in areas where the basic indicators of school integration (e.g. Synthetic Indicator of wellbeing and development, Indicator of educational level for adults aged between 33 and 43, Indicator of poverty danger, Total Educational Indicator) are low. The same applies to school networks that present high participation of special pupil groups (foreigners, ROMA, minority populations etc.). The Zones of Educational Priority are implemented in districts characterized by a low total education indicator, high school drop-outs percentages and low university accession percentages, as well as low socioeconomic indicators, such as low synthetic indicator of wellbeing and development and low indicator of poverty danger. ZEPs: a) are based on the notion of positive discrimination, b) promote a

holistic approach to education (education comprises support to and from the local society) and c) constitute an effort to create a permanent institution in the context of the Greek educational system, in which districts and schools related to Sensitive Social Groups (SSG) will be incorporated based on local needs.

## 6.2 2<sup>nd</sup> educational target: 40% of the young people age 30-34 should have attained a degree of higher education

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With regards to the educational target for the higher education, the following policies are in progress under the provisions of laws 4009/02011 and 4076/2012.

➤ **Improvement of accountability, introduction of a new Funding Scheme and governance improvement.** The role of HQAA (Hellenic Quality Assurance Agency), a state-independent authority that establishes accreditation programs and quality assurance procedures, has been upgraded. HQAA from now-on will act as a mediator between the State and the Higher Education Institutes (HEIs), especially concerning the funding and budget distribution, and the Institutes' long-term and strategic plan. A new president was appointed in HQAA in October 2012 and the term of office of the existing council, according to par. 10 of art. 42, Law N. 4115/2013, was extended until 31-08-2013.

HQAA funding (from national and EU structural funds) will be simplified and improved while negotiations will begin with both the HEIs and the central government in order to agree on the funding formula and the operating/performance budget split on the basis of certain criteria, in order implement the allocation mechanism more efficiently. The articles 63 and 73 of Law 4009/2011 define the catalytic role of HQAA in the funding of HEIs.

➤ **Introduction of the Institute's Council** (8 internal, 6 external members and 1 student), which has already been elected in all HEIs. The majority of the Ministry's powers/responsibilities (including financial and human resource management) passes on to the Institutes. The Institute Council approves the budget, the long term strategic plan and conducts administrative audits. In what concerns the election of rectors and other Institutes' governance bodies, in three HEIs, where the Rector's post is currently vacant, procedures have already begun for the relative Proclamations in order to fill the vacancies and are still on-going. The creation and publishing of the Institute's Statutes and Internal Regulations is still pending.

➤ **Reform of the Higher Education Map.** On January 31st, 2013, the Minister of Education and Religious Affairs, Culture and Sports announced the "Athina" project (consolidation and merging of HEIs). A complete technical report presenting the quantitative and qualitative data of

HEIs will be delivered. Based on this report the Ministry will propose certain reforms for the HEIs map, starting from the consolidation and merging of small departments. During 2010-2011 the Ministry decided that 24 departments of TEIs (Technical Educational Institutes), more than 10% of all TEIs' departments, and 1 University department would not admit students at all. The new framework law enables HEIs to further consolidate their departments, aiming especially at those with low enrolment/graduation rate. This can be achieved by both merging departments into Schools, within an Institute, or by merging departments of similar scientific fields among different Institutes. On the other hand, the Ministry will present its proposals on this.

➤ **Digital Content and Information Monitoring Infrastructure for HEIs**

In order to support the funding mechanisms and the strategic planning in the Ministry of Education and HQQA, a monitoring infrastructure will be established which will collect data from all HEIs. These data will mainly concern the student and faculty population, economic information and research data. To this end, a Higher Education Business Intelligence (BI) System will be created. Moreover, the Hellenic Academic Opencourses will become operational in order to produce digital material, and to provide funding for the creation of video e-courses. The target of the project is to produce more than 1.000 visual e-courses (including lectures, laboratory examples etc.).

Finally, laws 4093/12 and 4111/13 rationalize the legal framework of post secondary education and include provisions for the recognition of professional equivalence between a formal higher education degree of an E.U. member state and a degree obtained in the context of the Hellenic educational system, in cases that the requirements of Directive 2005/36/EC for the recognition of qualifications do not apply.

## 7. PUBLIC ADMINISTRATION

### 7.1 Administrative Reform

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In the period 2012-2013, the Ministry of Administrative Reform and e-Governance (MAREG) proceeded to the implementation of a series of policies and measures towards a better organization and operation of the public administration:

- **Assessment of structures in the public sector**

A Memorandum of Understanding among the Ministry of Administrative Reform and e-Governance, the French Domain Leader and the Task Force for Greece (TFGR) was co-signed for the full implementation of law 4024/2011 which provides for the assessment of the structures and organizational units of the Greek Ministries and the supervised entities. The evaluation process for the line ministries was conducted by Evaluation Committees in close cooperation with the French experts. Evaluation Reports for all line ministries have already been delivered.

The Evaluation Reports have been submitted to the Support Group of the Governmental Council for Reform (GCR). In the vast majority, the final reform proposals have been approved by the Government Council of Reform chaired by the Prime Minister, and the approval of the pending proposals will be granted soon through the same process. At the same time, the assessment of 3 major entities (namely EOF, Municipality of Thessaloniki and the Decentralized Administration of Attica) is upon completion with the valuable assistance and expertise of the TFGR. By the end of 2013, all public entities will have been assessed. Additionally, the relevant staffing plans for the approved organizational structure are under finalization, following the guidelines provided the TFGR.

- **Mobility Scheme**

By the provisions of the Law 4093/2012 (par. Z), an extensive reform of the civil service institutions was introduced through a new, coherent mobility framework for the personnel of the public sector, aiming primarily at the leverage of the human resources potentials for the service's interest and needs. Furthermore, the balance between the needs and the qualifications of the employees is pursued, while rationalizing the dedicated human resources across the public sector. In this context, the provisions of the Law 4024/24 (art.5) regarding the notion of "state civil servant" were enabled.

Under these provisions, the positions of certain categories, branches and specialties have already been abolished since they were evaluated as not responding to the needs of the entities, where their post was assigned. As a consequence, the personnel formerly served in those positions, will be

utilized in other services, where staffing needs are more persistent. Up to know, 1930 positions have been abolished.

The aforementioned law also provides for a more determined response regarding those employees who have been breaching the civil servants disciplinary code. In many cases, employees accused for serious offences remain on duty after being punished moderately, with profound consequences for the prestige and the effectiveness of the public sector. So far, 908 employees have been suspended from duty.

- **Merging and abolishing of public entities**

Under the provisions of the Law 4109/2013, a number of public entities were abolished (8 entities) or merged (197 entities). The competences of those entities abolished have been transferred to other existing entities of the public sector, resulting to significant savings.

A second wave of mergers and/or abolition of entities is scheduled for 2013.

- **Reduction of the employment in the General Government**

MAREG remains fully committed to the target for the reduction of the employment in the General Government by 150,000 by the end of 2015 (compared to the end 2010). This is being accomplished through the strict implementation of the 1 to 5 hiring rule and the already enacted restrictions in hiring temporary staff.

- **Coordination of the Governmental work**

Under the provisions of the Law 4109/2013, the General Secretariat for the Coordination of the Governmental work has been introduced, under the auspices of the Prime Minister. The General Secretary will have a 5-year mandate, which surpasses the government's mandate, thus assuring the continuity of the public service. The General Secretariat for the Coordination of the governmental work assists the Prime Minister in securing the government's unity, in coordinating the actions and policies of the ministries and in monitoring and implementing the government policies.

- **Anti-corruption action**

A "National anti-Corruption Strategy" has been drafted with the assistance of the TFGR and contains the national strategy regarding a broad spectrum of anti-corruption actions encompassing the whole public sector and a specific action plan for the tax administration.

- **Reduction of administrative burdens in selected sectors of economy**

The Greek Government and the OECD have signed a contract for a project leading to the reduction of administrative burdens in 13 fields of the economy by 25%. An OECD team has already

moved to Athens in order to coordinate and assist the preliminary actions (i.e. selection of 75 Greek officials from the whole public service, establishment of 2 high level committees to oversee the project, OECD trainings etc.). The first results are expected by end October 2013.

## 7.2 e-Governance

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The main objective of the e-Governance agenda is to ensure that a fully digital environment for transactions, both between state and citizens (G2C), and between government agencies (G2G) will exist by mid-2015. This strategy is based on two main IT pillars, co-financed by the Operational Programme "Administrative Reform", and is complemented by other large IT projects G2G, such as ERP (Unified Financial Management System) and HCMS (Single Human Capital Management System for Public Sector).

The whole effort is assisted by a short-term policy of enrichment and utilization of the existing IT infrastructure, with a view to gradually make available to citizens and government agencies new digital services until the large-scale projects are fully implemented. More specifically:

- The exclusive digital distribution of documents is already under implementation. (The deadline for full application of electronic signatures and exclusive digital document distribution for all Ministries is set for June 2013)
- The licensing of 272 professional categories can take place online through the National Portal "Ermi" which has been upgraded in order to acquire a more user-friendly environment. The effort is ongoing and goes hand in hand with the digitization / simplification of procedures related to investments (6 categories). Electronic payment for licence fees is also available.

## 7.3 Progress of reforms - planning

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### **POLICIES IN PROGRESS / PLANNING FOR FURTHER ACTIONS**

MAREG has prioritized a series of policies and actions towards a better organized and operational public administration:

- **Mobility scheme**

In the course of 2013, 25,000 employees are planned to enter the mobility scheme. The placement of the employees under the mobility scheme will be connected to the assessment of structures and personnel and to the completion of staffing plans, which will be used to identify redundant positions and reallocate the personnel in a rational way.

- **Performance appraisal system**

A public sector performance appraisal system is under planning which will annually measure the performance of both services and employees on the basis of specific and measurable targets.

- **New selection procedure for senior managers**

The quality and the skills of the senior management constitute an important area of interest, in the field of the HR management. Senior managers are responsible for planning, organizing, directing and monitoring within their area of competence.

Within the scope of this strategy, the revamped selection procedure of senior managers will be reshaped, focusing on not only on the typical qualifications and the experience, but also on the actual skills of the candidates and the needs of the positions on which they serve.

In this context, the mobility of senior managers from a ministry or a service to another will be facilitated for the first time.

- **Addressing disciplinary cases**

Under the provisions of the Law 4093/2012, the legal framework concerning the disciplinary cases is now more severe. To this end, a coherent action plan is scheduled for the enforcement of the disciplinary liability of civil servants.

The concrete actions that are undertaken to support this strategy are:

- ✓ Fully operational disciplinary boards
- ✓ Establishment of a unified inspection mechanism through the merging of GEED and SEEDD and respective special staffing
- ✓ Identification of pending disciplinary cases
- ✓ Addressing the phenomenon of absenteeism
- ✓ Controls in the service records to identify any falsified certificates



## 8. LABOUR MARKET- POVERTY

### 8.1 Employment rate target: 70% of population aged 20-64 should be employed by 2020

#### Developments in the employment rate and labour market conditions

The decline in economic activity in 2012, the fifth consecutive year of decline, continued to weigh on key labour market indicators leading to employment remaining in a downtrend and unemployment in an uptrend last year.

According to Labour Force Survey (LFS) data of the Hellenic Statistical Authority (EL.STAT.), the average number of employed (aged above 15 years) declined by 327.7 thousand people in 2012 against 2011 (i.e. an 8% y-o-y decline), following a 6.8% y-o-y drop in employment in 2011. However, the rate of employment decrease moderated in the 4th quarter of 2012<sup>5</sup>. Moreover, on a monthly basis (seasonally adjusted estimates by EL.STAT.), the number of employed in December 2012 increased by 40,316 people compared with November 2012 (i.e. 1.1% rate of increase), marking the first m-o-m increase since June 2010 – an encouraging development, however it is too early to draw any conclusions of a trend reversal<sup>6</sup>.

Note that during the 2008-2012 recession period, the number of employed decreased by 796.4 thousand people (a 17.5% rate of decrease). However, this employment decline was not accompanied by a decrease of similar magnitude in the labour force – the labour force exhibited an increase of around 1% in the same period.

The y-o-y decrease in the average number of employed persons in 2012 (by 327.7 thousand people) is mainly attributable to a significant decline in the number of salaried employees (by 222 thousand people, an 8.5% y-o-y drop). The number of self-employed with personnel fell by 15.4% in 2012 (or by 48.9 thousand people), while the number of self-employed without personnel, which corresponds to a bigger part of employment than self-employed with personnel, decreased at a slower pace (2.2% or 21.2 thousand people)<sup>7</sup>.

Employment in 2012 declined in most of the economic sectors; however the decrease in employment was more intense in some specific sectors: wholesale & retail trade (by 82.1 thousand

<sup>5</sup> Employment declined by 8.5% in the 1<sup>st</sup> quarter of 2012 (or by 356.5 thousand people) vs. the 1<sup>st</sup> quarter of 2011, by 8.7% y-o-y in the 2<sup>nd</sup> quarter of 2012 (or by 363.2 th.), by 8.3% in the 3<sup>rd</sup> quarter of 2012 (or by 340.3 th.) and by 6.4% in the 4<sup>th</sup> quarter of 2012 vs. the 4<sup>th</sup> quarter of 2011 (or by 250.9 thousand people).

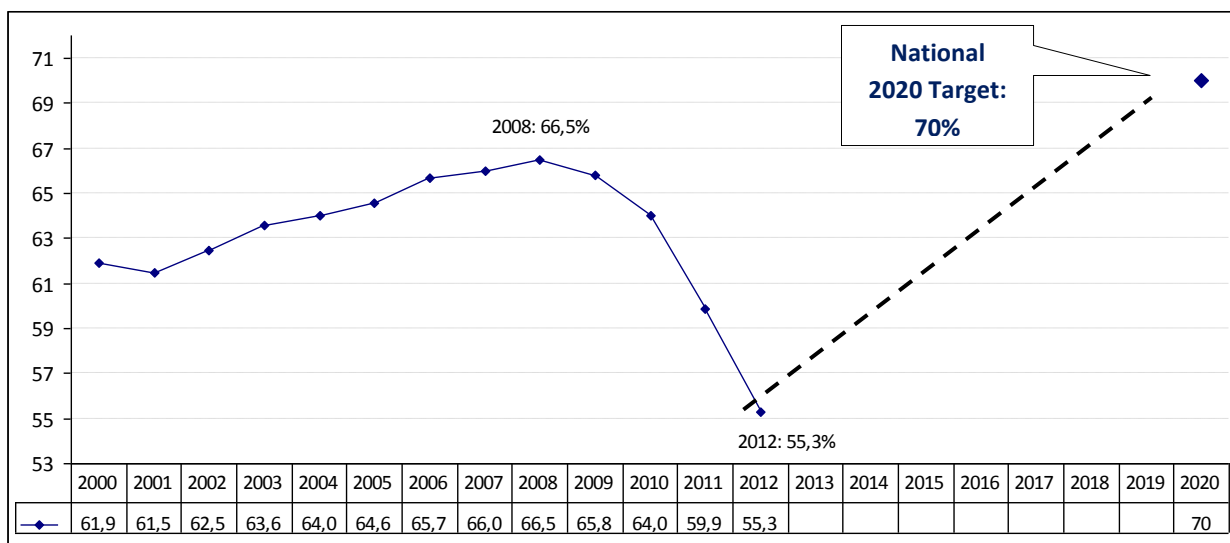
<sup>6</sup> Moreover, according to **OAED data on salaried employment flows in the private sector**, the net monthly job losses averaged to 6 thousand in 2012 against 10.5 thousand in 2011.

<sup>7</sup> **Salaried employees account for 63.2% of all employed people in 2012** (vs. 63.5% in 2011 and 64.6% in 2008). Self employed (with or without personnel) account for approximately 31.9% in 2012, while assistants in family enterprises for the remaining 5%.

people), manufacturing (55.8 thousand), construction (43.4 thousand), accommodation & food service activities (22.2 thousand), public administration and defence (25 thousand). On the other hand, employment increased in electricity & gas sector, real estate activities and professional, scientific & technical activities sector.

As a result of all the above developments, the average **employment rate** (for people aged 20-64) declined to **55.3% in 2012** from 59.9% in 2011 and 64% in 2010.

**Figure: Employment rate evolution (20-64 age group) in Greece, 2000-2012 period, (%)**



Source: EL.STAT. (LFS data elaboration)

- The 2012 employment rate figure of 55.3% (for the 20-64 age group) implies a 14.7 pps distance from the 2020 national target of 70%. Thus, the national employment rate target of 70% seems rather ambitious.
- We recall that during the 2000-2008 period, when Greece exhibited positive growth rates, the employment rate (20-64 age group) recorded a 4.6 pps improvement [or a 2.1 pps improvement in the 2000-2010 period].
- The labour market position of women is worse than that of men – lower employment rates are observed among women. However, the employment rate gender gap has narrowed over the last years, on the back of a bigger decline in the employment rate of men in almost all age groups, as the recession heavily hit men-dominated sectors, such as construction and manufacturing.

As the number of employed persons declined in 2012, the number of unemployed rose (to 1.2 million people on average, for ages above 15). As a result, the average **unemployment rate** (ages above 15) rose to **24.2% in 2012**, from 17.7% in 2011 and 7.6% in 2008 – according to EL.STAT. data. On a

seasonally adjusted monthly basis, the unemployment rate dropped in December 2012 to 26.4% from 26.6% in November 2012 (i.e. the first m-o-m unemployment rate decline after almost 54 consecutive months with rise, based on EL.STAT. data).

*Additionally:*

- The share of “long term” unemployed (that is people who have been looking for a job for more than one year) to total unemployed people increased to 61% in 2012, from 51.6% in 2011 and 47.2% in 2010, according to EL.STAT. data. The increase in the long-term unemployment rate raises concerns due to the fact that the longer the unemployment, the more difficult it gets to find a job (risk of skills deterioration / obsolescence).
- As regards the educational attainment level, the unemployment rate is higher among persons with the lowest educational attainment level [e.g. approximately 38% among people who have not attended school, against 13% among those with a post-graduate qualification]. Moreover, in the 2008-2012 period, the impact of the crisis and the recession has been particularly significant for people with lower educational attainment levels.

By observing the unemployment rate for different age groups, we notice that the highest unemployment rate is recorded among young people aged between 15 and 24 years; **55.3% in 2012** [48.4% for young men and 63.2% for young women], against 44.4% in 2011 and 22.1% in 2008. High youth unemployment rate is not a new phenomenon in Greece; what is new is the rampant rise to the unprecedented, alarming levels. The youth unemployment rate is more than twice as high as the rate for adults and has significantly increased over the last four years, while no signs of a trend reversal are in sight yet.

- Young unemployed people (aged 15-24) averaged 173.5 thousand people in 2012, a 14.4% share of the total unemployed people – according to EL.STAT. data elaboration.
- Greek young people in the 15-24 age group exhibit lower activity rates than older people (among the lowest in the EE-27, as young people in Greece do not combine studies with work). The activity rate settled at 29.2% in 2012 and 2011 from 32.4% in 2008 (based on EL.STAT. data).
- Young people are strongly overrepresented in part-time employment. In 2012, part time employment among young people aged 15-24 increased by almost 2 pps to 19.5% (against 2011) versus 7.7% for people aged above 15 and 7.3% for people aged above 25. In parallel, youth involuntary part time employment also rose to above 64%, showing that the majority of young part timers have this type of employment because they could not find a full time job.

→ An issue of concern is that the percentage of NEETs in Greece (youth typically aged between 15 and 24 years who, regardless of their educational level, are disengaged from work, education and training) increased over the last years, from 11.7% in 2008 to 20.3% in 2012. NEET people face a higher risk of labour market exclusion, poverty, social marginalization and social exclusion.

High unemployment rates are also observed among people aged 25-29 and 30-34. The crisis and the recession have had an important impact on the most productive groups of the workforce. As a result, the number of people (aged 18-60) living in jobless households (where nobody works) has increased significantly, to 1,081,845 people in the 3<sup>rd</sup> quarter of 2012 from 835,484 in 2011 and 458,292 in 2008 (based on EL.STAT. data).

According to estimates by European and international organizations, short-term employment and unemployment prospects are not encouraging. However, in the medium term, we expect an improvement in labour market outcomes, supported by, *inter alia*, the legislative interventions and employment promotion programmes.

## 8.2 Reforms in the labour market

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In 2012, a series of labour market reforms have been put into effect, aiming at increasing competitiveness of the economy and boosting growth prospects through the acceleration of structural reforms in the labour market

### ***Reforming the minimum wage setting system***

The minimum wage setting system is under thorough revision with a view to have a minimum wage rate legislated by the Government after consultation with social partners, other stakeholders and independent experts, taking into account the economic and labour market situation and prospects. The reform will also define how the economic and labour market situation and prospects will be factored into that process in order to ensure that the objectives of supporting employment and safeguarding labour income are achieved.

### ***Flexibility into the labour market.***

#### ***a) Collective bargaining is becoming more flexible***

Firm level agreements take precedence over any other more favourable collective (sectoral or professional) agreement, as long as the firm level agreement is at least as favourable to the employee

as the statutory minimum wage. Collective agreements can last for a maximum duration of three years and thereafter their terms can remain valid (after effect) only for a period up to three months (compared to six months before) and only for those terms which concern wage issues. (Law 4046/2012). The after effect of Labour Collective Agreements, in case no new one has been concluded, has been reduced down to only four benefits (maturity benefit, educational allowance, children allowances, occupational hazard allowance) and the provisions relating to the minimum salary or wage. Nevertheless, any increases in wages have been suspended until unemployment rate falls below 10%. Also, there is currently more flexibility in concluding Firm-level Agreements. At the same time, changes in the arbitration system are also introduced, as employees can resolve to it, only after common agreement with the employers and only concerning wage issues. (Law 4046/2012). To this end, the so called “principle of favourability” in collective bargaining is waived.

#### ***b) Other measures***

New provisions were adopted in order to promote flexibility in the labour market aiming at improving business competitiveness and reducing labour mobility barriers in order to further reduce unemployment by giving economy the necessary boost. In particular, Law 4093/2012 regulates issues concerning the termination of employment contract of indefinite period in the private sector, i.e. the further reduction of the notification period, for employees with period of service of 15 years or more, to 4 months, combined with the reduction of the maximum severance pay to 12 monthly salaries, for employees with 16 years of service (or more) in the same employer, reducing the severance gap between employees and blue-collar workers. At the same time, transitional provisions safeguard the rights that had been acquired by workers with long period of service in the same employer (17 years and more completed before the date that the new provisions came into force) and provide additional compensation under specific conditions. These provisions ease the enterprises which are facing severe economic problems due to economic crisis, and wish to reduce their personnel in order to avoid business closure. There is also more flexibility in the working time arrangements, in segmentation of annual leave, in obligatory rest hours, and in working time in the retail sector.

#### ***Supporting former self-employed***

Self-employment was hardly hit by the economic crisis. A lot of enterprises have been shut down, due to low economic activity. For that reason, a special allowance is provided, by the Greek Manpower Organization (OAED), for former self-employed or freelancers that have suspended their economic activity.

***Cutting red tape***

Regarding the simplification of procedure for the implementation of labour legislation, a series of measures have been adopted, concerning the announcement of overtime work, the submission of modified personnel tables, the electronic submission of forms (recruitment announcement, table of working hours). To this direction, the interoperability of information systems of IKA-SEPE-OAED allows for the on-line completion of various procedures (submitting of applications, payments, etc.). In addition, in the framework of the measures agreed under the MoU (November 2012) concerning the strengthening of institutions and, more specifically, towards strengthening transparency and implementation of labour law, an Expertise project is being drafted entitled: "Report on the structure of the new unified Labour Code." The aim of the study is to collect the existing rules of labour law and its updated codification, as well as to simplify and facilitate their implementation by both employees and employers, and by the Labour Inspectorate Body, which is responsible for monitoring the Labour law's proper implementation. Also, a fully structured action plan has been developed in order to unify the procedures of collecting taxes and social contributions [October 2012]. This requirement is directly linked to the strategic objective of combating tax and social contributions evasion. Further to the above, with the provisions of the L. 4093/2012, certification of the Temporary Working Agencies (TWA) and the Private Employment Consultancy Agencies (IGEE) has been further simplified concerning their establishment, as unnecessary administrative burdens are abolished and their scope of activities was extended (such as counselling and guidance). Thus the establishment and activity of private employment services which will promote employment are facilitated.

***Enhancing control mechanisms of the labour market***

During the last quarter of 2012, in compliance with the requirements stated in L. 4046/2012, the Greek government invited ILO to conduct a needs assessment for the labour inspection in Greece. After a series of meetings, the ILO Mission has produced a "Technical Memorandum-Labour Inspection Needs Assessment" which contains 17 recommendations regarding the improvement of Labour Inspectorate System. To this end, an Action Plan has been elaborated on the basis of the findings and recommendations of the ILO team. For each finding and recommendation an action is described that must be undertaken within a specific timeframe by the SEPE and the Ministry of Labour in order to enhance the overall performance and effectiveness of SEPE. Also, the ILO indicates the actions for which Technical Support is provided either by the ILO or in cooperation with SLIC. Moreover, the operational plan "ARTEMIS" has been launched by SEPE for the inspection of the implementation of the labour law as well as the social security coverage and the

undeclared work. Also, the National Insurance Fund (IKA) has reinforced the inspections for undeclared work, not only by conducting on the spot inspections but also through enacting a specific software application, in order to tackle social security evasion.

### 8.3 Employment Policies

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The core of the employment policies concern the job maintenance, the rehabilitation of the unemployed, the integration of young people and vulnerable groups into the labour market, the implementation of vocational training schemes, the support of older people as well as the support of sectors affected mostly by the consequences of the crisis.

The rationale behind the currently implemented policies, mainly through the Greek Manpower Organization (OAED), is to enhance of job creation and job retention particularly via the reduction of non wage cost. The PES has launched a series of actions, main axis of which is the subsidization of social security contributions primarily through the two-year period subsidy program for 25.000 unemployed. These policies facilitate both access of the unemployed to the labour market and the inhibition of undeclared work. Also, a number of programs of vocational training have been running in order to provide structural adjustments to people that are employed in precarious jobs. Apart from the above, a package of measures in order to enhance labour market participation includes: a) a vocational training program for unemployed in information technologies (ICTs). b) “reintegration voucher” as a subsidy to the employer who hires a registered unemployed person, with the intention of reducing unemployment, as well as keeping people into the labour market c) community service programs. Additionally, a special category of programs is specifically targeted in the tourism sector, which has been particularly hit by the crisis.

Finally, the ministry of labour, under the obligations arising from the Memorandum of Understanding with the IMF/EU/ECB, has assigned the Economic and Social Council of Greece to prepare an integrated Action Plan on Employment policies. The aims of the Plan are as follows: a. Upgrading the Employment Promotion Centres, in order to better match the unemployed with available vacancies b. enhance the effectiveness of training programs for the unemployed and seeking training for the unemployed from businesses, and c. replenish reduced working hours with training.

#### ***Youth Employment***

Given the fact that young people constitute the labour market group most adversely affected by the economic crisis, the Ministry of Labour Social Security and Welfare has set as first priority goal to provide, through Public Employment Services (OAED), consultancy services, vocational guidance,

apprenticeship and specialized active labour market measures to meet the needs of the specific target group as a first priority goal.

In this framework, a package of measures is intended to facilitate access of young people and newcomers to the labour market. Firstly, a work experience program for new labour market entrants aged 16-24 in the private sector. The duration of the traineeship can be 6-12 months, while trainees are entitled to 80% of the NMW (National Minimum Wage) and full social security coverage. The program foresees 100% subsidization of both employer and employee social security contributions, while employers are also given further incentives to keep on the trainees upon completion of the traineeship.

Moreover a subsidy program for enterprises to hire up to 35-year-old unemployed graduates of university and technological Higher Education Institutes was launched in the framework of co-financed operational programs. The program aims to create 5.000 new full time jobs in the private sector. The subsidization covers part of the wage and non wage cost, for a period of 24 months, while employers are engaged to prolong the compulsory duration of the program for at least 3 more months.

An action plan promoting youth employment and entrepreneurship has been designed and it is planned to be implemented in the near future. The Action Plan includes actions of training, employment and entrepreneurship of a wide spectrum of sectors, in order to raise youth participation into the labour market and tackle the high rates of youth unemployment. Except for the implemented and already enacted measures, the following actions are scheduled: a) a pilot action to support youth to create social cooperative enterprises b) a program aiming at the promotion of innovative entrepreneurship and mentoring for new businesses c) a special voucher for entering the labour market through training and work experience in the private sector according to their qualifications

### ***Vulnerable social groups***

In the field of active labour market policies (ALMPs), special care has been given to vulnerable social groups, through the national network of social intervention for social inclusion and enhancement of vulnerable social groups and via programs to strengthen employment through Specialized Training Centres. Also Local Actions for Vulnerable Groups (TOPEKO) are designed and implemented, targeting the inclusion or re-inclusion of the vulnerable groups into the labour market.



In addition, policies to support the employment of older people include measures pertaining either to older people as a part of the general population or exclusively to them. This is the case of wage subsidy schemes financed by the Social Partners Fund (LAEK-Account for Employment and Vocational Training). Under this scheme, enterprises of the private and the broader public sector are subsidized in order to employ unemployed persons who are close to retirement. The period of subsidy ranges from 1 to 60 months and the amount of subsidy covers approximately 40% of the wage bill. Older workers can also benefit from a placement program for 5.000 unemployed workers aged 55-64 in enterprises of local authorities. The program entails the subsidization of local authority development enterprises in order to hire 5.000 older unemployed workers at a total cost of EUR 75 million. Furthermore, a program is launched for the harmonization of family and professional life in order to support access of women in the labour market through Daily Care Centres.

### **Enhancing local employment**

The local integrated programs and action plans for unemployed persons, which are implemented in certain areas that are adversely affected by the crisis. The Local Plan for Employment (TOPSA) focuses on job creation through activation of the local authorities and stakeholders. In particular, the job vacancies are derived from a specialized diagnosis of local needs and their development potentials.

### **Evaluation –Impact of recent legislation**

Recent regulation has given the labour market the necessary flexibility in order to respond to the challenges of the economic crisis. The conversion of the labour market contracts of full employment to part time employment or rotation work, has contributed to job retention or has prevented job losses. According to 2012 Labour Inspectorate Data, 84.490 full time employment contracts have been converted into part time employment or rotation work. Compared to 2011, there is an increase of 53.1% concerning part time employment, of 12.3% concerning rotation work with the consent of the employee, and of 80.4% concerning rotation work after the unilateral decision of the employer. This shift towards flexible forms of employment can also be reflected in the share of full time employment contracts in the labour market, which from 66.9% in 2010, fell to 59.7% in 2011 and to 55.0% in 2012.

Moreover, in 2012, in order to secure the proper function of the labour market, the Labour Inspectorate Body has conducted 57.907 inspections (26.832 inspections regarding health and safety in workplace, 30.229 inspections regarding the labour relations, 846 inspections by the Special Labour Inspector Unit). As far as inspections of labour relations are concerned, 10.791 sanctions in total were imposed (i.e. 3.262 lawsuits, 1,736 complaint reports, 23 interruptions of business undertakings, 5.770 fines of 21.452.613€). In the same period, 21.520 labour disputes have been conducted from which 10.125 were resolved and 20.259.925€ were paid to the employees.

Regarding inspections for combating the undeclared work, we should mention that joint units of inspection from the Labour Inspectorate, the Special Insurance Inspection Service (EYPEA-IKA) and the Financial and Economic Crime Unit (SDOE), conducted 19.083 inspections in those sectors of economic activity where high percentages of undeclared work have been documented (restaurants, retail, gas stations etc).

### **Evaluation of ALMPs**

Since 2010 more than 1.291.567 persons either as employees or as self-employed or as trainees, have been benefited from 74 OAED (Greek Manpower Organization) programs for job retention, promotion of employment or training, of a total budget of €3,87 billion. It is estimated that so far the beneficiaries amount to 1.291.567 persons while the maximum number of beneficiaries upon completion of these programs will reach to 1.471.829 persons.

More specifically, the outcomes of these programs so far are the following:

- Retention of 339.260 jobs, including 11.669 jobs in the tourism sector.
- 194.177 unemployed have been benefited from 33 programs of finding a job or promoting small scale entrepreneurship.
- Expansion of seasonal employment by 79.473 jobs in the tourism sector.
- Vocational training of 625.209 persons, through LAEK and structural adjustment programs.
- Initial vocational training for 41.779 young people.

It is estimated that the above actions have contributed to a halt in the growth rate of unemployment of at least 5%-7%.

It should also be stressed that a series of changes and structural reforms have taken place, towards the modernization and upgrading of services provided by OAED, in order to enhance the function and effectiveness of the organization. In this framework, the following actions are already implemented or launched: (a) consultation workshops, (b) employment and human resources management forums, (c) an improved portal that gives the potential for effective matching in the labour market. These changes have contributed significantly to the improvement of services provided by the organization towards its beneficiaries, to the reduction in the need for physical presence of the citizens, to the limitation of a series of bureaucratic procedures and the facilitation of inspections through electronic cross-checks.

## 8.4 Poverty and social exclusion targets

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### 1. The trend of Greek national targets

The Greek Ministry of Labour has set up three national targets in October 2010 which were incorporated in the NRP 2011-2014<sup>8</sup>:

1. Reduction in the number of people at risk of poverty and/or social exclusion by 450.000 by 2020 which means a reduction of the at-risk of poverty and/or exclusion rate from 28% in 2008 to 24% in 2020.
2. Reduction in the number of children (0-17 years) at -risk-of poverty by 100.000 until 2020, which is translated into a reduction of at-risk-of poverty rate for children (0-17) from 23% in 2008 to 18% in 2020.
3. Development of a “social safety net” against social exclusion, which includes access to basic services, such as medical care, housing and education. This specific objective is not quantified, but highlights the need and willingness of the State to increase access to basic services in the framework of the third pillar of active inclusion policy.

Apart from the reduction of the number of people at risk of poverty and/or social exclusion in the pre-crisis period, stagnation was observed for 2009 and 2010 (27.6% in 2009 and 27.7% in 2010 see table below), followed by a significant deterioration in 2011. Child poverty percentages remain constant (23.7% in 2009 and 23.7% in 2011) but the rate of severely materially deprived children and the rate of children living in very low work intensity households have been clearly deteriorated.

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<sup>8</sup> See NRP 2011-2014, NRP 2012-2015, NSR 2012.

|           |                | 2009  | 2010  | 2011  |
|-----------|----------------|-------|-------|-------|
| AROEPE    | % of total pln | 27.6  | 27.7  | 31    |
|           | 1000 persons   | 3007  | 3031  | 3403  |
| AROP only | % of total pln | 19,7  | 20,1  | 21,4  |
|           | 1000 persons   | 2,149 | 2,205 | 2,349 |
| VLWI only | % of total pln | 6,5   | 7,5   | 11,8  |
|           | 1000 persons   | 539   | 619   | 979   |
| SMD only  | % of total pln | 11,0  | 11,6  | 15,2  |
|           | 1000 persons   | 1,198 | 1,269 | 1,667 |

*Source: Eurostat - SPC Annual Report 2012*

## 2. Other elements of context

It would be useful to interpret these trends in the context of the overall economic and social environment of the country. From the available data, it is obvious that a deterioration of the social context is observed, while Greece is going through a major economic and social crisis. Indicatively:

- a. The GDP has been falling since the beginning of the crisis in 2008. The rate of GDP growth for the year 2012 was -6.4% (from -7.1% in 2011), while recession is expected to persist also in 2013 (-4.2%). It is not before 2014 that growth is expected to recover.
- b. The at-risk-of poverty or social exclusion rate has increased (from 27.6% in 2009 to 31% in 2011).
- c. The population living in households with a very low work intensity rate has been increasing dramatically (from 6.5% in 2009 to 7.5% in 2010 and 11.8% in 2011)
- d. The severe material deprivation rate has also increased significantly (from 11.0% in 2009 to 15.2% in 2011). In addition, material deprivation concerns not only the population who is at risk of poverty, but also those above the AROP line.
- e. The employment rate has fallen significantly these last years (from 65.8% in 2009 to 59.9% in 2011) while a similar deterioration is observed in the unemployment rate (from 7.7% in 2008 to 9.5% in 2009 and up to 17% in 2011, while the latest data available estimate a rate of 24.8% for the last trimester of 2012). The long-term as well as the very long-term, unemployment rate is also following an upward trend. Lastly, the risk of poverty of the unemployed has strongly increased (from 38.1% in 2009 to 44% in 2011).
- f. The “in-work at-risk-of poverty rate” has been significantly decreased between 2009 (13.8%) and 2011 (11.9%) mainly due to the dramatic fall in the value of the poverty threshold at national level [from EUR 6,897 in 2009 to EUR 6,591 in 2011] and also due to the dismissal of low qualified - low wage earners. On the contrary, severe material deprivation rate for employed persons has been raised from 8.3% in 2009 to 10.3% in 2011.

Following the above, it seems that the tendency is to diverge rather than to converge to the targets set in the end of 2010 within the framework of the Europe 2020 Strategy, as far as the reduction of poverty and/or social exclusion is concerned, indicating that efforts should be made to reverse this situation, but also that a revision of the targets is required.

### **3. Main Challenges**

The main long-term challenge is to design a sustainable long-term strategy against poverty and social exclusion which requires a deep reorganisation of our social policy system. Fighting the social consequences of the crisis remains a main short-term challenge along with the development of administrative databases for enhancing monitoring and evaluation of the effectiveness of social policy, particularly in the fields of social transfers (other than pensions). The on-going administrative reform will help to develop a reform strategy by clarifying ministry responsibilities, simplifying the structures and reducing the fragmentation of the social policy system.

The unemployed and especially the long-term unemployed as well as the youth (up to 29 years) unemployed constitute key target groups against the risk of severe poverty and social exclusion. The number of households with very low work intensity has increased dramatically. Homelessness has also been increasing significantly these last years and child poverty remains an important issue<sup>9</sup>.

As a result of the above challenges, the general government objectives are to address the social consequences of the crisis and to progressively reorganise the social policy system to enhance its efficiency and efficacy. This task is constraint by the current economic and fiscal situation.

### **4. National policy to achieve the targets**

#### *a. General framework*

Given the tight budgetary situation, as a result of the consolidation effort, the priorities of the Greek government have shifted from the accommodation of social challenges to the improvement of fiscal situation. Social spending had anyway been moderate in Greece (around 4.5%), compared to other EU MS<sup>10</sup> and further contraction by EUR 300 million (0.2% of GDP) is expected as a result of the rationalization of social benefits (other than health and pensions) in the context of the recently revised Medium Term Fiscal Strategy (MTFS) 2013-16.

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<sup>9</sup> See the 'Social Protection Performance Monitor' (SPPM) adopted by the SPC in October 2012.

<sup>10</sup> See OECD Review of Social welfare Programmes in Greece, draft February 2013.

Efforts to reduce social spending are already in place. Regarding the social exclusion strand (other than health and pension) it is worth mentioning the following:

- The unemployed benefit has been reduced as a result of the reduction of the daily minimum wage of the unskilled worker (art.1, para6, L.4046/12.03.2012) by 22% and by 32% for people younger than 25 years. The current monthly unemployment benefit is EUR 360 per month against EUR 460 before.
- A series of special benefits (for instance seasonal unemployment benefit or unemployment benefits targeted to specific geographical areas) have been impacted in a similar way.
- As from 1.1.2013 the unemployment benefits a person may be entitled to receive within a period of four years are restricted. No benefit can be more than EUR 450 in a period of four years while from 1.1.2014 the maximum amount is reduced to EUR 400 [Law 3986/11, article 39, para.1].
- Various “recreational” benefits (provided by OEE -Workers Fund Organisation) as well as housing benefits (provided by OEK -Workers' Housing Organisation) have ceased or phased out [OEE and OEK have already closed on the back of Law 4046/2012]
- Stricter controls of abuse and fraud, especially concerning invalidity benefits are in place.
- Prerequisites for eligibility at the old age solidarity benefit (EKAS) have become stricter.
- A Ministerial Decision to restructure the transportation reimbursement scheme for selected categories of patients to equalize the benefits to the 2009 level is issued.
- Modification of the tax schedule for income tax (Law 4024/2011, enacted in 28/10/11, with a retroactive application since 1/1/2011). Tax free threshold is reduced from EUR 12,000 for income earned in 2010 to EUR 5,000 for income earned in 2011 and 2012.

#### *b. Fighting the social consequences of the crisis*

The fight against the social consequences of the crisis is focused on measures to support employment and to reallocate benefits to those most in need.

- Active Labour Market policies: The co-funding (EU-national funds) has been reinforced for various programmes with a social spending from EUR 2,658,823,845 to EUR 2,740,769,274.
- Employment policies to face long-term unemployment and youth (up to 29 years) unemployment have been adopted and will reinforce the second pillar of active inclusion strategy.
- In an attempt to reduce the non-wage labour cost and boost the economy’s competitiveness, the Greek Government has enacted legislation to reduce the employers’ social security contributions for their employees affiliated in IKA (the social security fund mainly insuring

employees of the private sector). This reduction, in effect since 1.11.2012, is the outcome of the abolition of the employers' contributions for OEK and OEE and amounts to 1.1 percentage points [Law 4093/12, subpara IA.6, para 9, 10, 11, art.1]

- A benefit for the “Unemployed - Self-Employed” has been established, which provides a special assistance to self employed people, in cases of ending of their occupation.(see also below).
- Medical care provision is maintained for the unemployed through prolonging the period of insurance coverage
- Large-family benefits have been abolished (Law 4093/2012 and law 4141/2013 art.40) and will be replaced by a unified means-tested yearly large-family benefit.
- Birth grants and family benefits are readjusted so as to target families that are most in need. In this framework, a new means-tested “single child support allowance” has been introduced since 01.01.2013 (Law 4093/2012).
- A means-tested heating allowance has been introduced since 16/11/2012 in order to compensate for the increase in price of heating gas oil excise duty which equalised by 80% to diesel excise duty.
- A “National Action Plan to combat homelessness and housing inclusion” (February 2013) has been elaborated by an inter-ministerial working group. The operational aspects of the evaluation are still to be decided. The aim is to apply a simpler tax policy that would assure a more progressive distribution of the consolidation burden among the population.
- Municipalities, churches and NGOs are strongly involved in distribution of food and other basics support.
- Programmes for immediate interventions against poverty are to be implemented by NGOs (Operational Programme Human Resource Development).

### *c. Reorganisation of the social policy system.*

Initiatives have been developed for the restructuring of the social policy system in order to enhance the effectiveness of social expenditure transfers (targeting, design, implementation, delivery, etc) as well as for strengthening the social safety net for the most vulnerable. Some examples are provided below:

- A National Register of beneficiaries of social and welfare benefits was established by Law 4025/2.11.2011 in order to facilitate the setup of a common database.
- Law 4093/2012 defines new conditions for the grant of “long-term unemployed people benefit”. From 1.1.2014 the benefit may be paid to persons between 20 and 66 years of age

provided that their annual family income does not exceed EUR 10,000 (increased by EUR 586.08 for every child under the age of 18). Currently, it is only people older than 45 years of age who could be entitled under means-testing conditions.

- A Special Fund for the “Unemployed - Self-Employed” has been established, (Law 3986/2011) providing for at least three months a special assistance in cases of proven ending of an occupation. A ministerial decision is setting the amount of payment of the benefit, the related eligibility criteria (income and insurance) and the duration of payment.
- A national strategic plan for the social integration of Roma people has been developed. It is intended to develop a long-term Multi-Sector Action Plan to give a specific shape on the basis of the principles of social operational planning by sector (sectoral operational plans), on the regional level (top-down process), with integrated interventions to be implemented by local municipalities and communes.
- A minimum guaranteed income benefit will be pilot tested at the beginning of the year 2014 (Law 4093/2012 sub-parag. IA.3/ Pilot Programme Minimum Guaranteed Income).
- As mentioned above, a new “means-tested single child benefit” has been introduced /enters into force on, 1.1.2013 (Law 4093/2012)..
- Although the tax free threshold for income earned in 2011 and 2012 is reduced (EUR 5,000 in general and EUR 9,000 for young people up to 30 years old, for the retired and for handicapped people), the child income untaxed amount is increased (Law 4024/2011, enacted in 28/10/11, with a retroactive application since 1/1/2011) in order to support families (by EUR 2,000 for the first child, by EUR 4,000 for two children and by EUR 3,000 for each additional child).

#### *d. further initiatives*

- The drafting of the Green Paper on National Strategy for Social Inclusion is underway. The objective of the paper is the mapping of the existing interventions of the Ministry of Labour, Social Security and Welfare in the field of social inclusion, as well as the interventions of the state and the local authorities in the same field. Furthermore, the paper will include international best practices and relevant EU intervention analysis.
- The institutional basis of a central body on social inclusion affairs has been established. More specifically, the Social Protection Directorate of the Ministry of Labour, Social Security and Welfare, has been renamed to “Social Protection and Social Cohesion Directorate” and has been given the responsibility for managing the mechanism of monitoring and implementing the social inclusion and social protection policies. This mechanism is also responsible to recommend the national strategy on preventing and combating exclusion



conditions to the National Social Protection Committee, to promote employment and social inclusion and to ensure the preparation of a National Action Plan for Corporate Social Responsibility.

- The institutional framework for Corporate Social Responsibility, is about to be established. To that purpose the Social Protection and Social Cohesion Directorate of the Ministry of Labour, Social Security and Welfare is given the responsibility for ensuring the elaboration of the corresponding National Action Plan.
- Social economy and its contribution to social inclusion has been legislated (law 4019/2011)., By projecting the interests of society as a primary motivation for running, social economy can fill important gaps in services at local level, and also integrate into the labor market specific groups, such as people with disabilities, long-term unemployed, women who have been out of the labor market for long, etc. An action plan for Social Entrepreneurship, has been drafted which provides for supporting mechanisms, for the establishment of the social economy observatory and for counselling programs and grants for social enterprises.

## 9. RESEARCH AND TECHNICAL DEVELOPMENT – EUROPE 2020

### 9.1 R&D: Revision of the earlier set target of 2% to 0.67% of GDP

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According to a study conducted by the General Secretariat for research and technology in March 2013, the GERD estimation for the year **2020** is going to reach **0.67%** of the foreseen GDP which is considered as more consistent with the current trends and the economic outlook. The study considered<sup>11</sup>:

- The further continuation of the recession.
- The decrease of investments on R&D from the private sector and the obstacles to the financing of enterprises by the banking sector.
- The prohibition of recruitments in public research centres and universities provided by the Medium Term Fiscal Strategy Framework (MTFSF) 2013-2016 (Law 4093/2012) which constitutes an obstacle for increasing the research staff working on a permanent basis. Additionally the aim of increasing R&D expenditure is suspended by provisions of the above law about the cut of salaries and operating costs in public research bodies.
- The shrink of the national part of the Public Investment Budget (PIB) which does not permit the implementation by the GSRT of other policy measures apart from those which will be included in the “partnership agreement” with the EU in the framework of the Cohesion Policy of the new programming period.
- The decrease of the regular funding of the research centres and universities.
- The difficulty in securing the national contribution to Cohesion Funds and The Framework Program (combined with the cuts of researchers’ and academics’ salaries which constitute the main factor of the Greek participation in the Framework Programmes).
- The possible complexity in the complementary functionality of the two funding mechanisms (Horizon 2020 and Structural Funds).
- The intensified competitiveness between member states in pursuit of additional funding from Horizon 2020.
- The ageing of the human research potential combined with the emigration of researchers (brain-drain) with no replacement capability due to the Medium Term Fiscal Strategy Framework (MTFSF) 2013-2016 (Law 4093/2012).

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<sup>11</sup> An analysis of the study methodology is presented in the Annex

- The scheduled arrangements of the organogramme of the GSRT to a Directorate General of the Ministry of Education and Religious Affairs, Culture and Sports which will undermine the management capacity of GSRT and increase bureaucracy.

GSRT considers that this target, which in the given economic environment seems not only realistic but optimistic, is a very low target for a country that chooses to base its competitiveness and development on Knowledge and Innovation rather than cheap labour assets. A shift towards an innovation-driven economy is necessary in order to take advantage of growth potential and fight brain drain and unemployment and for the attainment of a more increased GERD/GDP percentage, a clear commitment of the Greek government to support research and innovation is needed. This can be expressed as an increase in the state funding of R&D and requires the exception of research organizations from the Medium Term Fiscal Strategy Framework (MTFSF) 2013-2016 (Law 4093/2012). Analogous measures to support R&D have been undertaken by other countries facing similar financial problems, like Portugal and Ireland. These countries, in contrast to the current economic situations, have set their R&D intensity target for 2020 to 3% and 2% respectively.

## 9.2 Main policies to achieve the R&D intensity target

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### **ENHANCING THE HUMAN R&D POTENTIAL**

- Specific Actions are implemented in the framework of the NSRF (2007-2013) (e.g. ARISTEIA (Excellence) I&II, Supporting post doctoral researchers-(POSTDOCs), Financing research proposals which were positively evaluated in Calls of ERC Grants Schemes, Heraclitus II, Archimedes III, Thales) (ongoing) aiming at fostering the human R&D potential.
- Through the above Actions (e.g. Excellence II) emphasis is given to supporting new researchers being at the beginning of their research career so as to produce high quality research and gain autonomy in their work. In the long term these Actions are expected to contribute to the upgrade of the country's research system, enhance its international competitiveness, as well as to consolidate meritocracy through periodic competitive calls and rigorous and transparent evaluation procedures.
- Excellence remains the main target as far as it concerns the human R&D capital. However, progress towards the Europe 2020 target requires measures to increase the number of researchers as well, in other words to ensure the conditions which would permit:

- to attract new scientists to the research career
- to attract researchers from abroad
- to increase the number of researchers in the private sector
- to facilitate the mobility of researchers in a unified research area
- to impede brain drain

#### **STRENGTHENING THE NATIONAL RESEARCH SYSTEM AND PROMOTING OPTIMAL USE OF AVAILABLE RESOURCES**

- In the framework of National Strategic Reference Framework (NSRF) 2007-2013 the Action “Proposals for the Development of the Research Centres-KRHPIS” aims at enhancing the strategic research choices of public research centres supervised by the GSRT and the Greek Atomic Energy Commission, improving their basic research activities and their international competitiveness, as well as the quality of their products and the offering services, and consequently at supporting their viability.
- Elaboration of the restructuring of the research system and creation of a flexible organization structure for research and technology organizations (a federated scheme is envisaged) that will lead to synergies and economies of scale, structural networking and increased mobility of researchers as well a better utilization of public infrastructure and resources (through a bottom up approach) .
- A national strategy for research infrastructures and a national roadmap are being drafted for the upgrade of already existing infrastructures and identification for the creation of new Research Infrastructures. Deep networking between research centres, universities, technological educational institutes and the business sector is among the main objectives of the above strategy.
- In the framework of the preparation of the new programming period 2014-2020, measures are examined to enhance the demand of research and innovation services by Ministries or Regional Authorities, as well as to boost the role of the research centres in the regional development.
- Measures included in this policy aim to secure new recruitments of research staff and the facilitate the mobility of researchers between research centres and universities.

**PROMOTION OF SYSTEMATIC COOPERATION BETWEEN DIFFERENT MINISTRIES FOR A STRATEGIC APPROACH OF THE PLANNING OF RESEARCH ACTIVITIES**

- It will permit a better exploitation of Structural Funds and available national funds with a view to increase R&D investments as well as a better coordination of different policies having an impact on the country's RDI system.

**MOBILIZATION OF THE PRIVATE SECTOR FOR AN INCREASED PARTICIPATION IN RDI ACTIVITIES AND EXPLOITATION OF NEW KNOWLEDGE**

- Improving the investment climate for R&D (ongoing):
  - Simplification of procedures taking – when appropriate - additional legal or administrative measures in order to remove obstacles for research and innovation activities. The results of the study financed by the GSRT «Proposals to remove obstacles to the commercial exploitation of firm's innovation” which was completed in 2012 are taken into consideration in drafting the new measures.
  - Amendment of legislation to improve the design and implementation of tax incentives, which consist an important instrument for boosting RDI activities in the private sector.
  - New investment law.
- Continuation and speeding up of the implementation of Actions in the framework of NSRF (2007-2013) with emphasis on the enhancement of RDI investments of the private sector (ongoing). Apart from the actions already under implementation like Innovation Vouchers for SMEs, COOPERATION 2011 – Partnerships of Production and Research Institutions in Focused Research and Technology Sectors, Creation of Innovation Clusters "A GREEK PRODUCT, A SINGLE MARKET: THE PLANET”, European R&D Cooperation schemes – JTIs (Joint Technology Initiatives), new actions are being prepared like:
  - PAVET 2013. The Action aims to support R&D activities conducted by dynamic enterprises that will lead to added-value products and services. With a budget of EUR 30 million, the Action puts emphasis on R&D activities on specific thematic priorities that the country has a comparative advantage like, Agriculture, Food, ICT, Pharmaceuticals, Environment, etc. Collaboration between enterprises and research organizations is also promoted.

- Specific reference should be made to the Action “Supporting enterprises for recruiting high level scientific personnel” aiming at improving the access of researchers at the labour market and boosting demand for high-level skills in enterprises. The EUR 15 million budget Action covers researchers’ as well as technical personnel salaries for a maximum period of 3 years.
- Preparation of new measures to be implemented in the new programming period 2014-2020 with emphasis on:
  - Stimulating R&D investments of the private sector in sectors where the country has a comparative advantage (according to national/regional Smart Specialization Strategies).
  - Creating new enterprises with a research orientation.
  - Drafting new financial instruments for R&D and innovation.

#### **FRAMEWORK IMPROVEMENTS FOR THE UTILISATION OF STRUCTURAL FUNDS WITH EMPHASIS ON THE PREPARATION OF THE NEW PROGRAMMING PERIOD**

Specific measures:

- Acceleration of the implementation of NSRF. Improvement of the management capacity of GSRT through the simplification of the legal framework for RDI programs (ongoing).
- Securing the proposed conditionalities in the new programming period 2014-2020 concerning R&D:
  - Preparation of a national strategy on RDI on smart specialization (ongoing).
  - Formulation of a national strategy and roadmap on Research Infrastructures (ongoing).
- Preparation of an Operational Program for Research and Innovation in the new programming period 2014-2020 – Inclusion of new measures with an emphasis on promoting investments on RDI from the private sector, taking into consideration the effectiveness of the applied measures so far.
- Preparation of a new administrative management system on RDI for the new programming period 2014-2020.
  - Simplification of the management system, reduction of the number of the administrative units with clear allocation of jurisdictions between the units.

- GSRT proposes the formulation of a single National Multi-Fund Operational Program on RDI. Coordination should be ensured with other Operational Programs (sectoral or regional) with RDI dimensions.
- Creation and adoption of a stable framework for measuring and evaluating research results.

**MEASURES TO SUPPORT THE GREEK RESEARCH COMMUNITY FOR AN INCREASED PARTICIPATION IN THE FRAMEWORK PROGRAMS OF EU (FP7 AND HORIZON 2020) AND TO PROMOTE THE INTERNATIONAL OUTREACH OF GREEK R&D ENTITIES**

- Effective use of the tools of the European Research Area (ERA) for the coordination of national policies and the financing along with other Member States of R&D programs in selected thematic areas. (ongoing)
- Reinforcement of the country's participation in the construction phase of the ESFRI research infrastructures based on a national strategy and roadmap for infrastructures. (ongoing)
- Reinforcement of the extroversion of Greek research teams through bilateral and multilateral country agreements on R&D (ongoing). In this context new bilateral R&D agreements are being implemented or expected to be launched in the immediate future, like:
  - Greece-Israel (EUR 5 million budget)
  - Greece-China (EUR 15 million budget)
  - Greece-Germany (EUR 5 million budget)

## 10. ENVIRONMENTAL TARGETS

### 10.1 The Roadmap for achieving the Europe 2020 energy targets

Greece's commitments towards the higher penetration of RES in the Greek energy system and improvement of energy efficiency in end use have been transposed to a series of regulatory initiatives and support programs put in place during the last years<sup>12</sup>, as presented in detail in the respective national action plans. In particular, measures have been implemented to promote and support the development and use of renewable energy in electricity, heating and transport, and to achieve energy savings through the improvement of energy efficiency and rational use of energy in all sectors of final consumption, focusing on buildings and transport<sup>13</sup>. The transition to a low carbon economy is a priority axis in the design of the Greek development program until 2020; the achievement of the national energy objectives<sup>14</sup>, environmental protection and the optimum exploitation of domestic natural resources will contribute to the improvement of the Greek economy competitiveness, to the creation and maintaining of jobs of various competences, and the protection of consumers.

#### Renewable Energy Sources

The exploitation of RES in the Greek energy system remains a key driver towards sustainable development and ensuring energy supply. The significant potential for electricity generation from renewable energy technologies can play a key role in creating new markets and business opportunities that could contribute significantly to the recovery of the Greek economy.

In the field of electricity generation from RES focus has been placed on technologies with high commercial maturity (e.g. wind farms, solar PV, small hydro), which have attracted high investing interest. Especially in the area of PV, a rapid growth has been observed since 2009 resulting in 97% of the current installed capacity having been installed in the last 3 years, i.e. 1,488MW from the total 1,536MW (end 2012), a fact that is attributed mainly to the adoption of differing and powerful support measures, as well as to the reduction of PV projects' development cost.

<sup>12</sup> L.4062/2012 and L.3851/2010 for the transposition of Directive 2009/28/EC, L.4122/2013 for the transposition of Directive 2010/31/EC, L.3855/10 for the transposition of Directive 2006/32/EC and other related acts (L.4001/2011, L.4067/2012)

<sup>13</sup> Such as the "exoikonomisi kat'oikon" program that supports energy efficiency interventions for the energy upgrade of the building envelope and the upgrade of heating systems of existing residential buildings, as well as the provision of financial and tax incentives for the replacement of old energy-intensive vehicles with new, energy efficient ones

<sup>14</sup> 1. Target of 20% RES share in gross final energy consumption, which is further broken down into:

- 40% RES share in gross consumption of electricity
- 20% RES share in final energy consumption for heating and cooling
- 10% RES share in final energy consumption for transport

2. National indicative target for energy savings by 2016: 9% of the average reference annual final energy consumption of the period 2001-2005



As concerns wind farms and small hydro, the installed capacity is growing relatively steadily, reaching 1,753MW and 213MW respectively in 2012, depicting an increase of 7% and 4% compared to the end of 2011. Note that the installed capacity of large hydro stations remains constant during the last years at 3018MW. In specific, the overall RES penetration as a share of gross **electricity** production is in line with the indicative trajectory presented in the National Renewable Energy Action Plan with a share of 13.8% in 2011 and a steadily increasing contribution. It is also noted that, in view of streamlining and maintaining support for the promotion of RES, a process for the reformation of the support scheme for electricity from RES is currently in progress, while a series of amendments have already taken place during the last months. Alongside emphasis is laid on the design and implementation of projects for the development of the transmission and distribution system to allow greater penetration of RES and on the removal of barriers related to the licensing procedure to accelerate the operation of RES electricity units.

Along with electricity, regarding the contribution of renewable energy for **heating**, recent years have seen a steady increase of RES-H share, especially in the residential sector and secondarily in industry and the tertiary sector. Solar thermal systems and biomass attain a principal position in RES applications for heating having gained a significant share in the residential sector over the years. It is worth mentioning that the last two years have witnessed a significant increase in biomass for heating in the residential sector, which is largely attributed to the final consumers' shift to biomass to meet their heating needs. Note that the penetration of RES for heating already stands at 20.5% (according to 2011 data), surpassing the corresponding indicative trajectory which was presented at the National Renewable Energy Action Plan.

It is worth noting that the **overall** share of renewable energy in gross energy consumption during the period 2010-2011, which refers to the basic national target as defined in Directive 28/2009/EC, slightly exceeded the forecast according to the National Renewable Energy Action Plan. Specifically, in 2011 the share of RES penetration in gross final energy consumption amounted to 11.5%, versus 10.6% as depicted in the indicative trajectory.

|                                 | 2010  | 2011  | 2020 <sup>15</sup> |
|---------------------------------|-------|-------|--------------------|
| <b>RES share in electricity</b> | 12.4% | 13.8% | 40%                |
| <b>RES share in heating</b>     | 17.2% | 20.5% | 20%                |
| <b>RES share in transport</b>   | 2.0%  | 1.8%  | 10%                |
| <b>RES share in GFEC</b>        | 9.7%  | 11.5% | 20%                |

<sup>15</sup> According to L.3851/2010

|   | 2010 | 2011 | 2012 | 2020 <sup>16</sup> |
|---|------|------|------|--------------------|
| <b>RES installed capacity for electricity<sup>17</sup> (GW)</b> | 4.75 | 5.52 | 6.57 | 13.27              |
| <b>Wind installed capacity (GW)</b>                             | 1.3  | 1.64 | 1.75 | 7.5                |
| <b>PV installed capacity (GW)</b>                               | 0.2  | 0.61 | 1.53 | 2.2                |

The target for RES penetration in 2020 has been set and analyzed on the basis of energy demand and economy development data available in 2010. However, the actual technology mix and the total installed capacity required to achieve the aforementioned targets may eventually differ, since energy demand until 2020 is currently expected to be lower than what was expected in 2010, while the penetration of certain RES technologies has already approached the target set for 2020 (e.g. PV).

It is, however, noted that the targets set for the penetration of renewable energy in the national energy system in 2020 may need to be revised in the near future. Considering the degree of effectiveness of implemented policies, the actual penetration of specific RES technologies in the last three years, the development of investment costs for all RES technologies, the consequences of economic crisis in shaping energy demand and the investing environment, it is important to redefine certain assumptions on the development of the Greek energy system until 2020. This will result into a possible revision of both the development of RES penetration in the national energy system and the actual RES targets.

### **Improvement of Energy Efficiency**

The first and second National Action Plan for Energy Efficiency (NEEAP) elaborated in 2008 and 2011 respectively, have presented and analyzed the measures needed to achieve the national indicative energy savings target of 9% by 2016 compared to the reference period 2001-2005. Specifically, the NEEAPs outline measures to improve energy efficiency in all sectors of final energy consumption, namely measures for the residential sector, industry, the tertiary sector and the transport sector, as well as cross-sectoral or horizontal measures with a wider application. The quantitative target for energy savings in final energy consumption is estimated at 16.64TWh for 2016, while the indicative milestone of 5.15TWh for 2010 has been already surpassed according to the assessment of achieved energy savings presented in the second NEEAP. The target of energy savings for 2016, as presented in the NEEAPs, will be achieved primarily through the introduction of measures to improve energy efficiency in the transport sector, the tertiary and residential sector and to a smaller extent through savings in industry. Specifically, the transport sector is estimated to have the largest potential for energy savings, contributing with 36% energy savings to the target achievement for 2016, followed by the tertiary and residential sector with a contribution of 30% and

<sup>16</sup> According to the National Renewable Energy Action Plan, 2010.

<sup>17</sup> Including large hydro stations.

29% respectively. Moreover, the second NEEAP, taking into account the achievement of the RES targets, presents the estimates for primary energy savings by 2020 which account for up to 33.1TWh.

Since 2008 total final energy consumption of Greece has exhibited a significant and continuous drop. This reduction observed in almost all end-use sectors reached around 14% in 2011 compared to 2007 final energy consumption. In particular, it is evident that the ongoing economic recession has significantly affected the levels of demand in all end-use sectors; however the emerging improvement of specific energy efficiency indicators (e.g. CO<sub>2</sub> emissions intensity, final energy intensity) also proves a gradual transition to a more efficient and environmentally friendlier national energy system<sup>18</sup>. The energy savings were mainly achieved through the implementation of major investments to reduce consumption but also through the implementation and support of appropriate actions and measures aimed at improving energy efficiency. Special mention is given to the importance of the energy savings derived from the changes of consumers' energy behaviour, which are not directly related to the economic situation, but to a more rational energy use behavioural pattern.

Energy efficiency is expected to exhibit significant improvement until 2020, which will stem from the implementation of a planned set of targeted measures mainly for the energy upgrade of buildings in the public and private sector that will be further supported through new market mechanisms and financial support tools and will be combined with the target for increased use of energy from RES in final energy consumption. The development of a smart system for the management of energy production and demand will be equally promoted to eventually contribute to the implementation of a distributed generation system that will allow the high penetration and optimal use of the available potential both for RES generation as well as energy efficiency improvement.

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<sup>18</sup> The achieved energy savings are analyzed in the second National Action Plan for Energy Efficiency submitted to the European Commission in September 2011.

## ANNEX I

## Information on planned and already enacted key measures

| Information on planned and already enacted measures |  |  |  |   |   |   | Foreseen impacts  |
|---|--|--|--|---|---|---|---|
| Description of main measures                        |  |  |  | Europe 2020 targets                           | Challenges/Risks  | Budgetary implications  | Qualitative elements  |
| Description of the measure                          | Legal/Administrative instruments   | Timetable on progress achieved in the last 12 months       | Timetable on upcoming steps                                    | Estimated contribution to Europe 2020 targets | Specific challenges/risks in implementing the measures  | Overall and yearly change in government revenue and expenditure (reported in mln. National currency), contribution of EU funds (source and amounts) | Qualitative description of foreseen impacts and their timing  |
| Assessment of structures in the public sector       | Law 4024/2011, Central Coordination Committee, Evaluation Committees per Ministry, Cooperation with TFGR and French Domain Leaders, Support Group of the GCR, Final approval of reform proposals by the the Government Council of Reform | Evaluation Reports for the ministries and 3 major entities | By the end of 2013 all public entities will have been assessed |   | Change management challenges, identify key success factors, acceptability, rigorous monitoring , addressing interministerial issues |   | New Presidential Decrees, Job description, operational objectives and procedures, reallocation of personnel |
| Mobility scheme                                     | Law 4093/2012  | November 2012: 1930 employees put into the mobility scheme | 2013: 25.000 employees will be put into the mobility scheme    |   |   |   | Rational reallocation of the personnel in the whole public sector   |

|  |  |  |   |  |  |                            |  |
|--|--|--|---|--|--|----------------------------|--|
| Merging and abolishing of public entities                          | Law 4109/2013  | Approval by the Parliament of 8 entities abolished and 197 entities merged   | In 2013, new wave of merged and/or abolished entities             |  |  |                            | Rationalization of the public sector, important resources savings                      |
| Reduction of the employment in the general government              | Monitoring and strict application of the 1:5 rule (hirings and retirements) and respective restrictions in temporary staff |  | Strict application up to end 2016                                 |  |  |                            | Reduction of the personnel in the General Government Employment by 150.000 by end 2015 |
| Coordination of the governmental work                              | Law 4109/2013  | General Secretariat for the Coordination of the governmental work introduced   |   |  |  |                            |  |
| Anti-corruption action   | Elaboration of a "National anti-Corruption Strategy"   | Road Map of anti-corruption  |   |  |  |                            |  |
| Reduction of administrative burdens in selected sectors of economy | Cooperation with OECD and use of Standard Cost Model   | Elaboration of a plan for reducing by 25% the administrative burdens, completion of preliminary project actions                      | Expected results by end October 2013                              |  |  |                            |  |
| Performance appraisal system                                       |  |  | 2013: establishing a performance appraisal system on annual basis |  |  |                            |  |
| New selection procedure for senior managers                        |  |  | New legal framework in the 1 <sup>st</sup> semester of 2013       |  |  |                            |  |
| Addressing disciplinary cases                                      | Law 4093/2012  | November 2012: 908 employees having been convicted or prosecuted for serious disciplinary offenses have been placed under suspension | Action plan for addressing disciplinary cases                     |  |  |                            |  |
| Public Systems' Interoperability                                   |  | Tendered in February 2013  | Fully implemented until December 2015                             |  | Cooperation between Ministries and other | 7,8M co-financed by the OP | Reduction of administrative costs and burden   |

|  |  |   |  |  |   |   |  |
|--|--|---|--|--|---|---|--|
|  |  |   |  |  | parties involved  | "Administrative Reform"   |  |
| Citizens' Relationship Management System                                   |  | Tendered in December 2012   | Fully implemented until December 2015  |  | Legal implications  | 15M co-financed by the OP "Administrative Reform"   | Improvement of services provided to citizens and businesses  |
| Unified Financial Management System  |  |   | Tendered until May 2013, fully implemented until December 2015   |  | Cooperation between Ministries  | 36M co-financed by the OP "Administrative Reform"   | Transparency and control over state budget   |
| Single Human Capital Management System for Public Sector                   |  |   | Tendered until May 2013, fully implemented until December 2015   |  | Legal implications  | 12M co-financed by the OP "Administrative Reform"   | Improvement of public sector human capital management  |
| Digital distribution of documents  | L. 3979/2011   | Implemented in MAREG since September 2012   | To be implemented in all other Ministries until June 2013  |  |   |   | Reduction of administrative costs  |
| Online professional licensing/online services for citizens through "Ermis" | 123/2006/EC  | 272 professions online since December 2012  | Ongoing procedure for further implementation of online services until CRMS is completed.   |  | Cooperation between Ministries and other parties involved   |   | Reduction of administrative burden. Improvement of services provided to citizens and businesses  |
| Electronic fee payment   |  |   | First processes will be available in March 2013  |  | Cooperation between Ministries and other parties involved   |   | Improvement of services provided to citizens and businesses  |
| SYZEFXIS I   |  |   | Renegotiation of telecommunications charges will be finalized by March 2013  |  |   |   | Reduction of administrative costs  |
| SYZEFXIS II  |  | In public deliberation  | Tendered by May 2013   |  | Authorization from the EU is necessary to be provided by March 2013   | 630M in total, co-172M co-financed by the OP "Digital Convergence", 458M concern telecommunication charges for 3 years, estimated annual cost savings of 150M | Reduction of administrative costs. Improvement of services provided to citizens and businesses   |
| Enhancing the human RTD potential  | *The exception of research organizations from the Medium Term Fiscal Strategy Framework (MTFSF) 2013-2016 (Law 4093/2012) should be pursued.<br>* Specific measures should | Specific Actions are implemented in the framework of the NSRF (2007-2013). (In 2012 and 2013 the following calls for proposals were launched: "ARISTEIA (Excellence) II", "Financing research proposals which were positively evaluated in the 4 <sup>th</sup> Call | In March 2013 a new call for proposals has been launched "Financing research proposals which were positively evaluated in the 5 <sup>th</sup> Call of ERC Grants Schemes", which is still open . | It cannot be estimated precisely, however since about 60% of GERD consists of salaries, we can conclude that | *The prohibition of recruitments, the cut of salaries and operating costs in public research centres and universities provided by the Medium Term |   | *Enhancing excellency and strengthening the international competitiveness of the country's research system<br>*Consolidating meritocracy and a steady research environment |

|  |   |   |  |  |   |  |
|--|---|---|--|--|---|--|
|  | <p>be taken aiming to the replacement of researchers who retire.<br/>* A new legislative act for research is being drafted which provides measures to promote the mobility of researchers.</p>                    | <p><i>of ERC Grants Schemes”, “Supporting enterprises for recruiting research personnel”. The Actions, “ARISTEIA (Excellence) I”, “Supporting post doctoral researchers-(POSTDOCs)”, “Supporting enterprises for recruiting high level scientific personnel”, are still in progress.)</i></p> |  | <p>GERD in 2020 will be largely influenced by policies enhancing human R&amp;D potential</p>               | <p>Fiscal Strategy Framework (MTFSF) 2013-2016 (Law 4093/2012)</p> <p>*The shrink of the national part of the PIB which does not permit the implementation by the GSRT of other policy measures apart from those which will be included in the “partnership agreement” with the EU in the framework of the Cohesion Policy of the new programming period.</p> <p>*The decrease of the regular funding of the research centres and universities will not permit the maintenance of research activities which are not eligible for funding by the Structural Funds of the EU. Respectively, it will direct the Greek researchers’ activities towards the orientations and priorities of the Framework Programs of the EU.</p> | <p>*Reducing brain drain<br/>*Attracting young scientists to the researcher’s career<br/>*Attracting researchers from abroad<br/>*Increasing the number of researchers in the private sector<br/>*Facilitating the mobility of researchers in a unified research area.</p> |
| <p>STRENGTHENING THE NATIONAL RESEARCH SYSTEM AND PROMOTING OPTIMAL USE OF AVAILABLE RESOURCES (it concerns policies</p> | <p>A legislative act is currently being drafted by GSRT to support reshaping of the research ecosystem, creating a flexible organizational structure of public interest; this is expected to lead to a better</p> | <p>* In the framework of the National Strategic Reference Framework (NSRF) 2007-2013 the Action “Proposals for the Development of the Research Centres-KRHPIIS” was launched.<br/><br/>*The 1<sup>st</sup> phase of a Call of</p>   | <p>The national strategy for large research infrastructures and the national roadmap, aiming at the upgrade of already existing infrastructures and the identification for the creation of new ones will be finalized.</p> | <p>It cannot be estimated precisely, however since about 70% of GERD is performed by the public sector</p> |   | <p>*Enhancing the excellency of our national research system<br/>* Enhancing strategic choices of research centres supervised by the GSRT<br/>*Creation of synergies between research centres,</p>   |

|   |   |   |  |   |  |  |   |
|---|---|---|--|---|--|--|---|
| <p>having to do mainly with the public sector of the national research system)</p>  | <p>utilization of public infrastructure and resources.</p>  | <p>Interest for large research infrastructures aiming at the elaboration of a national strategy and a roadmap for large RIs was completed</p>   |  | <p>(research centres, HEIs, etc) policies aiming at strengthening public research organizations have an important influence on GERD</p>   |  |  | <p>universities and technological educational institutes<br/>* Strengthening the regional role of research organizations</p>    |
| <p>MOBILISATION OF THE PRIVATE SECTOR FOR INCREASED PARTICIPATION IN RDI ACTIVITIES AND EXPLOITATION OF NEW KNOWLEDGE</p> | <p>*Simplification of procedures taking –when appropriate - additional legal or administrative measures in order to remove obstacles for research and innovation activities. The results of the study financed by the GSRT «Proposals to remove obstacles to the commercial exploitation of firm’s innovation” which was completed in 2012 should be taken into consideration in drafting the new measures.<br/>*Examination and eventual better adaptation for RDI activities of the regulatory framework about Public Private Partnerships<br/>*Amendment of legislation to improve the design and implementation of tax incentives, which consist an important instrument for boosting RDI activities in the private sector of the regulatory framework about Public Private Partnerships<br/>N of the regulatory framework about Public Private Partnerships<br/>*New investment law<br/>*Better coordination and</p> | <p>In the framework of the National Strategic Reference Framework (NSRF) 2007-2013 the following Actions addressing the business sector were launched in 2012: <i>“Creation of Innovation Clusters “A GREEK PRODUCT, A SINGLE MARKET: THE PLANET”</i> and <i>“Bilateral R&amp;D cooperation between Greece and China 2012-2014”</i><br/>In 2013 the Action <i>“Supporting enterprises for recruiting research personnel”</i> was also launched.<br/>*Several actions launched in previous years aiming at boosting RDI activities in the business sector are still in progress, accelerating the rhythm of their implementation</p> | <p>*The following new Actions are being prepared and will be launched in the next months : <i>“PAVET (2013)”</i>, <i>“Innovation Fund”</i><br/>*Preparation of new measures to be implemented in the new programming period 2014-2020 with emphasis on:<br/>--Stimulating R&amp;D investments of the private sector in sectors where the country has a comparative advantage (according to national/regional Smart Specialization Strategies )<br/>--Creating new enterprises with a research orientation<br/>-- Drafting new financial instruments for RTD and innovation</p> | <p>According to the GSRT scenario, 29% of GERD in 2020 will be financed by the Business Sector which proves of the importance of policies aiming to its further mobilisation towards R&amp;D activities</p> | <p>*The further continuation of the recession and an eventual delay in taking measures for improving the investment climate.<br/><br/>*The problem regarding bank financing of Greek enterprises</p> |  | <p>*Increased participation of the business sector in RDI activities<br/><br/>*Diffusion of research results in the economy</p> |



|   |  |   |  |  |  |  |  |
|---|--|---|--|--|--|--|--|
|   | cooperation is needed between the Ministry of Education /GSRT and the Ministry of Development for the preparation and implementation of innovation policies  |   |  |  |  |  |  |
| FRAMEWORK IMPROVEMENTS FOR THE UTILISATION OF STRUCTURAL FUNDS WITH EMPHASIS ON THE PREPARATION OF THE NEW PROGRAMMING PERIOD | <p>*Improvement of the management capacity of the GSRT through the simplification of the legal and regulatory framework for RDI programs (on going)</p> <p>* The drafting of the new legislative act for research is in coordination with the preparation of the national research and innovation strategy so as to make provisions to facilitate the future implementation of the RDI strategy (on going)</p> <p>*Preparation of a new management system of the Structural Funds for the new programming period 2014-2020 with the following main characteristics:</p> <ul style="list-style-type: none"> <li>--Simplification of the management system, reduction of the number of the administrative units with clear allocation of jurisdictions between the units.</li> <li>--The GSRT proposes the formulation of a single National Multi-Fund Operational Program on RDI.</li> <li>-- Creation of a stable framework for measuring and evaluating research results</li> </ul> | <p><u>Acceleration of the implementation of the NSRF (National Strategic Reference Framework) 2007-2013</u></p> <p>*The total public budget of Calls for Proposals for RDI Actions launched till 31.1.2013 amounts to EUR 650 million, while the realized payments in the same period are about EUR 123 million.</p> <p><u>Drafting a national research and innovation strategy for smart specialisation (ex ante conditionality for the financing of RDI in the programming period 2014-2020)</u></p> <p>*A first draft has been prepared and consultations with the research community and other stakeholders (e.g. Innovation Group) are in progress. The GSRT cooperates also with the regional authorities in order to help them integrate RDI actions in their regional strategies.</p> | <p><u>Acceleration of the implementation of the NSRF</u></p> <p>The efforts will be continued till the end of 2015, with general or more targeted measures in order to tackle eventually persisting management problems</p> <p>The planned public budget for new Calls (plus the planned supplementary budget for already implemented Actions) in 2013 amounts to EUR 194 million.</p> <p><u>Drafting a national research and innovation strategy for smart specialisation</u></p> <p>The National Strategic Framework for Research and Innovation (ESPEK) will be finalized in 2013</p> | According to the GSRT scenario, 27% of GERD in 2020 will be financed by the EU Structural Funds, which proves of the importance of policies for the improvement of their utilisation | <p>*The possible downgrading of GSRT to a Directorate General of the Ministry of Education and Religious Affairs, Culture and Sports, will undermine the management capacity of GSRT and increase bureaucracy.</p> <p>*In the new programming period the allocation of jurisdictions between many and dispersed administrative units for the coordination of R&amp;D activities should be avoided.</p> |  | <p>*Improvement of absorption rates of SF for the period 2007-2013</p> <p>*More effective use of Structural Funds for the new programming period 2014-2020</p> |
| MEASURES TO   | There is need to secure  | In the framework of the National  | For 2013 the following Calls are   | According to the   | *The difficulty in   |  | *Preservation or even  |

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| <p>SUPPORT THE GREEK RESEARCH COMMUNITY FOR AN INCREASED PARTICIPATION IN THE FRAMEWORK PROGRAMS OF EU (FP7 AND HORIZON 2020) AND TO PROMOTE THE INTERNATIONAL OUTREACH OF GREEK R&amp;D ENTITIES</p> | <p>national contribution (Matching Funds) with the aim to support research organizations' participation in FP programs, and fully exploit in the future synergies between Horizon 2020 and Structural Funds in order to further improve the successful Greek participation in Framework Programs</p> | <p>Strategic Reference Framework (NSRF) 2007-2013 the following Actions were launched in 2012 and beginning 2013, making use of the tools of the European Research Area (ERA) or reinforcing the extroversion of Greek research teams through bilateral R&amp;D Cooperation: <i>"Actions supporting Greek organizations which participated successfully to the joint Calls for proposals of the ERANETS (ERANET 2<sup>nd</sup> and 3<sup>rd</sup> Call )"</i> and of <i>"Joint Programming Initiatives (1<sup>st</sup> Call), "Bilateral R&amp;D cooperation between Greece and China(2012-2014)", "Bilateral R&amp;D cooperation between Greece and France (2013)", "Bilateral R&amp;D cooperation between Greece and Turkey (2013-2014)"</i> Moreover Actions launched in precedent years are still in progress: e.g. <i>"Supporting the participation of Greek organizations to the 2<sup>nd</sup> and 3<sup>rd</sup> European Call of the Joint Technology Initiatives ENIAC and ARTEMIS"</i> and Actions aiming at the reinforcement of the country's participation in the construction phase of the ESFRI (European Strategy Forum for Research Infrastructures) /2006 research infrastructures</p> | <p>planned:<br/>-<i>"Bilateral R&amp;D cooperation between Greece and Israel"</i><br/>-<i>"Bilateral R&amp;D cooperation between Greece and Germany"</i><br/>-<i>"Bilateral R&amp;D cooperation between Greece and Cyprus"</i><br/>- The rest of the ERA-Net Calls corresponding to our country's commitments vs the EU<br/>Finally the support of the participation of the Greek research organizations to the construction phase of ESFRI infrastructures will continue</p> | <p>GSRT scenario, 10 % of GERD in 2020 will be financed by the EU FP.</p> | <p>securing the national contribution (Matching Funds) combined with the cuts of researchers' and academics' salaries which constitute the main factor of the Greek participation in the Framework Programs.<br/>*The possible complexity in the complementary functionality of the two funding mechanisms (Horizon 2020 and Structural Funds).<br/>*The intensified competitiveness between member states in pursuit of additional funding from Horizon 2020.<br/>*The ageing of the human research potential combined with the emigration of researchers (brain-drain) with no replacement capability due to the Medium Term Fiscal Strategy Framework (MTFSF) 2013-2016 (Law 4093/2012).<br/>*Decrease of investments on R&amp;D from the private sector<br/>*The obstacles to the financing of enterprises by the banking sector</p> | <p>further improvement of the scores of the Greek participation in the EU FPs<br/>*Upgrading of the Greek research organizations<br/>*Enhancement of the excellency of the Greek research system<br/>*Promotion of the extroversion of the Greek research system</p> |
| <p>PROMOTION OF A SYSTEMATIC</p>  |  | <p>In the framework of the drafting of the National Strategic</p>   | <p>Expansion of the cooperation with other ministries. (e.g. Ministry of</p>  | <p>It cannot be estimated</p>   |  | <p>*Optimal use of available resources</p>   |

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| COOPERATION BETWEEN DIFFERENT MINISTRIES FOR A STRATEGIC APPROACH OF THE PLANNING OF RESEARCH ACTIVITIES |               | Framework for Research and Innovation (ESPEK) cooperation has been developed with the Ministry of Rural Development and Food   | Environment and Climate Change, General Secretary for Industry etc.)   |  |  |  | *Better coordination of policies affecting the operation of the National Research and Innovation System. |
| IN-SERVICE TRAINING FOR TEACHERS   | Law 3848/2010 | Acquisition of the first Administrative Efficiency Certificates (following training)   | 14 new training programs   | Contribution to reduction of early school leaving to less than 10% |  |  |  |
| NEW CURRICULA  |               | <ul style="list-style-type: none"> <li>Drafting of new curricula (nursery, primary schools, high school)</li> <li>Drafting of Guides for the teachers and training for 3.115 of them</li> <li>Application in 188 schools on pilot basis</li> </ul> | <ul style="list-style-type: none"> <li>Improvement of all curricula according to the results of the evaluation following pilot application</li> <li>Evaluation of the existing curricula</li> <li>Development of new curricula for General Lyceum</li> <li>Development of new curricula for Vocational Education Lyceum</li> </ul> | Contribution to reduction of early school leaving to less than 10% |  |  |  |
| EVALUATION OF SCHOOLS AND TEACHERS   | Law 3848/2010 | <ul style="list-style-type: none"> <li>The relevant Presidential Decree is under processing by the Council of State</li> <li>Constitution of the Independent Authority for Quality Assurance in Primary and Secondary Education</li> </ul>         | <ul style="list-style-type: none"> <li>Preparation for the generalization of self-evaluation of school units</li> <li>Evaluation of teachers</li> </ul>  | Contribution to reduction of early school leaving to less than 10% |  |  |  |
| MERGING OF SCHOOL UNITS  |               | <ul style="list-style-type: none"> <li>264 school units merged in 124</li> <li>169 were abolished</li> </ul>   | <ul style="list-style-type: none"> <li>122 school units are about to merge in 60</li> <li>47 are to be abolished</li> </ul>  | Contribution to reduction of early school leaving to               |  |  |  |

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|  |   |  |   | less than 10%  |  |             |  |
| DIGITAL SCHOOL   |   | <ul style="list-style-type: none"> <li>• Creation of educational Platform with digital books of primary and secondary education</li> <li>• Interactive media and classroom equipment</li> <li>• High-speed connection to the internet for all school units</li> <li>• Support of digital actions</li> <li>• Training of the educators</li> </ul> | <ul style="list-style-type: none"> <li>• Completion of the 3<sup>rd</sup> phase of the enrichment of the electronic publications</li> <li>• Depiction of the existing digital resources</li> <li>• Training for the teachers in the use of digital materials</li> </ul> | Contribution to reduction of early school leaving to less than 10% |  |             |  |
| ZONES OF EDUCATIONAL PRIORITY  | Law 3879/2010                           | School units of various levels which have been included in ZEP: 1.262  | Hiring of specialized teachers and supply of technological equipment and books  | Contribution to reduction of early school leaving to less than 10% |  |             |  |
| ALL DAY SCHOOLS  |   | Operation of 6.964 all day nurseries and primary schools   | Updating, promotion and publicity of the institution and regional training seminars   | Contribution to reduction of early school leaving to less than 10% |  |             |  |
| INSTITUTES COUNCILS  | Law 4009/2011<br>Law 4076/2012          | Formation of Institutes Councils   | Completed   | Contribution to rise graduates of tertiary education to 40%        |  |             |  |
| ATHINA project for the merging of academic departments and abolishment of HEI's            | Under submission to Hellenic Parliament | <ul style="list-style-type: none"> <li>• Completion of public consultation</li> <li>• Submission of the Presidential Decree to the Council of State</li> </ul>   | <ul style="list-style-type: none"> <li>• 9/2013 first year of implementation</li> <li>• Completion during the academic year 2014-2015</li> </ul>  | Contribution to rise graduates of tertiary education to 40%        |  |             |  |
| Subsidizing enterprises with grants of insurance contributions for hiring 25000 unemployed |   | The action is currently implemented.   | Expected to be completed in 2015  |  |  | 151.501.288 |  |
| Harmonisation of Family and Professional Life  |   | The action is currently implemented.   | Expected to be completed in 2015  |  |  | 505.660.000 |  |
| Training programmes for unemployed   |   | The action is currently implemented.   | Expected to be completed in 2014  |  |  | 94.600.000  |  |

|   |  |                                      |                                  |  |  |            |  |
|---|--|--------------------------------------|----------------------------------|--|--|------------|--|
| through certified Vocational Training Centers (VTC) with mandatory employment in "green jobs"   |  |                                      |                                  |  |  |            |  |
| Training programmes for unemployed through certified Vocational Training Centers (VTC) with mandatory employment in "tourism jobs"          |  | The action is currently implemented. | Expected to be completed in 2014 |  |  | 45.400.000 |  |
| Vocational training programmes in basic ICT skills  |  | The action is currently implemented. | Expected to be completed in 2014 |  |  | 30.000.000 |  |
| Vocational training programmes for unemployed in Information Technologies (ICTs), using vouchers  |  | The action is currently implemented. | Expected to be completed in 2014 |  |  | 44.000.000 |  |
| "Reintegration Voucher in the labor market" Programme by converting unemployment benefits in allowance for work and training the unemployed |  | The action is currently implemented. | Expected to be completed in 2014 |  |  | 20.000.000 |  |
| Promotion of innovative entrepreneurship and mentoring for new businesses   |  | The action will start in 2013        | Expected to be completed in 2014 |  |  | 91.000.000 |  |
| Entrepreneurship in rural areas   |  | The action will start in 2013        | Expected to be completed in 2015 |  |  | 12.780.000 |  |
| Pilot Action to Support Youth to Create Social Cooperative Enterprises  |  | The action will start in 2013        | Expected to be completed in 2014 |  |  | 7.500.000  |  |
| Vocational training services in ICT eLearning   |  | The action will start in 2013        | Expected to be completed in 2014 |  |  | 15.599.999 |  |

## ANNEX II

## Section: Employment

## Employment rate (20-64 age group) - %

|              | 2011 | 1 Quarter 2012 | 2 Quarter 2012 | 3 Quarter 2012 | 4 Quarter 2012 | 2012 | 2020       |
|--------------|------|----------------|----------------|----------------|----------------|------|------------|
| <b>Total</b> | 59.9 | 56.4           | 55.7           | 54.9           | 54.1           | 55.3 | <b>70%</b> |
| <b>Men</b>   | 71.1 | 66.7           | 65.8           | 64.9           | 63.7           | 65.3 |            |
| <b>Women</b> | 48.6 | 46.0           | 45.5           | 44.8           | 44.4           | 45.2 |            |

Source: LFS, EL.STAT. (data elaboration)

## Employment rate (15-24 age group) - %

|              | 2011 | 1 Quarter 2012 | 2 Quarter 2012 | 3 Quarter 2012 | 4 Quarter 2012 | 2012 |
|--------------|------|----------------|----------------|----------------|----------------|------|
| <b>Total</b> | 16.3 | 13.9           | 13.4           | 12.7           | 12.3           | 13.1 |
| <b>Men</b>   | 19.6 | 16.9           | 16.5           | 15.9           | 15.2           | 16.1 |
| <b>Women</b> | 12.9 | 10.8           | 10.4           | 9.4            | 9.4            | 10.0 |

Source: LFS, EL.STAT. (data elaboration)

## Employment rate (55-64 age group) - %

|              | 2011 | 1 Quarter 2012 | 2 Quarter 2012 | 3 Quarter 2012 | 4 Quarter 2012 | 2012 |
|--------------|------|----------------|----------------|----------------|----------------|------|
| <b>Total</b> | 39.4 | 36.9           | 36.4           | 36.2           | 36.2           | 36.4 |
| <b>Men</b>   | 52.3 | 48.5           | 48.0           | 47.1           | 46.6           | 47.6 |
| <b>Women</b> | 27.3 | 25.9           | 25.6           | 26.0           | 26.4           | 26.0 |

Source: LFS, EL.STAT. (data elaboration)

## Unemployment rate (ages above 15) - %

|              | 2011 | 1 Quarter 2012 | 2 Quarter 2012 | 3 Quarter 2012 | 4 Quarter 2012 | 2012 |
|--------------|------|----------------|----------------|----------------|----------------|------|
| <b>Total</b> | 17.7 | 22.6           | 23.6           | 24.8           | 26.0           | 24.2 |
| <b>Men</b>   | 15.0 | 19.7           | 20.8           | 21.7           | 23.3           | 21.4 |
| <b>Women</b> | 21.4 | 26.5           | 27.3           | 28.9           | 29.7           | 28.1 |

Source: LFS, EL.STAT. (data elaboration)

**Unemployment rate (15-24 age group) - %**

|              | 2011 | 1 Quarter 2012 | 2 Quarter 2012 | 3 Quarter 2012 | 4 Quarter 2012 | 2012 |
|--------------|------|----------------|----------------|----------------|----------------|------|
| <b>Total</b> | 44.4 | 52.7           | 53.9           | 56.6           | 57.8           | 55.3 |
| <b>Men</b>   | 38.5 | 46.1           | 46.8           | 48.9           | 51.7           | 48.4 |
| <b>Women</b> | 51.5 | 60.4           | 62.1           | 65.4           | 65.0           | 63.2 |

Source: LFS, EL.STAT. (data elaboration)

**Unemployment rate (55-64 age group) - %**

|              | 2011 | 1 Quarter 2012 | 2 Quarter 2012 | 3 Quarter 2012 | 4 Quarter 2012 | 2012 |
|--------------|------|----------------|----------------|----------------|----------------|------|
| <b>Total</b> | 8.5  | 11.9           | 13.1           | 14.1           | 15.3           | 13.6 |
| <b>Men</b>   | 8.7  | 12.1           | 13.3           | 14.0           | 15.9           | 13.8 |
| <b>Women</b> | 8.1  | 11.6           | 12.6           | 14.3           | 14.2           | 13.2 |

Source: LFS, EL.STAT. (data elaboration)

## Annex III

### State of implementation of structural reforms

| STRUCTURAL FISCAL REFORMS  |   |
|--|---|
| <b><u>Tax policy reforms</u></b>   |   |
| Initiation of a tax reform aiming at simplifying the tax system, eliminating exemptions and preferential regimes, thus broadening bases, and allowing a gradual reduction in tax rates as revenue performance improves.                                      | Done. Law 4110 GG 17/A/23-1-2012.   |
| <b><u>Revenue administration reforms</u></b>   |   |
| Appointment of a new Secretary General of the tax administration.  | New SG Appointed  |
| Adoption of legislation to establish a significantly more autonomous tax administration  | In progress   |
| The revised Code of Books and Records enters into force  | Done  |
| Introduction of at least twice yearly performance assessments for tax auditors   | Near completion, signature of MD pending  |
| Abolishment of the requirement that all tax declarations for the previous 10 years must be audited while retaining the right to continue to audit earlier years and the discretion to audit any amount of declarations from these earlier years.             | Done  |
| Adoption of legislation in order to introduce a modern code of conduct concerning conflicts of interests and declaration of interests and a system for protecting whistle-blowers who report corruption.   | Near completion. Law has been submitted to the parliament for voting                            |
| <b><u>Public administration reforms</u></b>  |   |
| Assessment of the institutional setting of two pilot ministries (Ministry of Administrative Reforms and Ministry of Environment).  | Done  |
| Assessment of the institutional setting of all ministries  | Institutional settings of all Ministries are finalised.   |
| Finalization of the first draft of the two pilot staffing plans and completion of the other ministries' staffing plans.  | Done. The staffing plans of other ministries are in progress.                                   |
| Preparation and publication of a fully-fledged anti-corruption plan for the civil service, including special provisions for the tax and customs administration.  | In progress, a draft plan has been presented to IMF/ECB/EC                                      |
| Adoption of the law on mobility between ministries in the interest of the services.  | Done. Law 4093/2012   |
| <b><u>Public Procurements</u></b>  |   |
| The Single Public Procurement Authority (SPPA) becomes operational and is adequately staffed   | In progress, a series of PDs have been issued in this respect. Staffing will be completed soon. |
| The existing plan for the development of the e-procurement platform is refined   | Plan has been sent to IMF/ECB/EC for comments   |
| <b><u>Pension reforms</u></b>  |   |
| Implementation of the reform of the functioning of secondary/supplementary public pension funds and unification of all existing funds into ETEA, which are considered to be in the domain of public sector - according to ESA95 national account definition. | Done  |



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| <b><u>Health care system reforms</u></b>  |  |
| From January 2013, hospital services will be purchased directly by EOPYY through prospective budgets based on KEN-DRGs costing procedure (and payroll costs should be at least reported).   | Done.  |
| EOPYY ensures that the number of doctors is reduced in headcount compared to June 2012 by at least 10% by December 2012.  | Target achieved  |
| Revision of the co-payment structure for medicines to exempt from co-payment only a restricted number of medicines related to specific therapeutic treatments.  | Done, MD 24926   |
| Downward revision of the price of medicines, based on the three EU countries with the lowest prices. re-pricing medicines now cheaper than 10 EUR, including implementing a 10% price reduction in the prices of these medicines.   | New price list has been published and the MD for the price reductions has been issued.   |
| Application of an automatic claw-back mechanism (every six months) to pharmaceutical producers which guarantees that the outpatient pharmaceutical expenditure (EOPYY budget) does not exceed the above targets.  | Done. Claw back mechanism was applied for the first semester of the year. It will not be applied for the second semester, as targets for pharmaceutical spending were reached. |
| Extension of the current e-prescribing to all doctors, health centres and hospitals. E-prescribing is made compulsory and must include at least 90 percent of all medical acts covered by public funds (medicines, referrals, diagnostics, surgery) in outpatient facilities and providers contracted by EOPYY and the other social security funds; | E-prescribing is compulsory and already covers more than 90% of medicines e-diagnosis for referrals, diagnostics, surgery is already operational since 14/1/2013               |
| Publication of prescription guidelines/protocols for physicians, with priority for the most expensive and/or mostly used medicines, and makes them compulsory;  | On going. Protocols are published on EOF website and continue to be developed.   |
| Enforcement of sanctions and penalties as a follow-up to the assessment and reporting of misconduct and conflict of interest in prescription behaviour and non-compliance with the EOF prescription guidelines;   | Ongoing. Sanctions and penalties to doctors are enforced   |
| Implementation of a mechanism to reduce off-label prescription.   | Done   |
| Increase in the share of the generic medicines to reach 35 percent of the overall volume of medicines sold by pharmacies by end-2012;   | In progress  |
| 50 percent of the volume of medicines used by public hospitals is made up of generics with a price below that of similar branded products and off-patent medicines.   | Ongoing. Already close to the target of 50%.   |
| Internal controllers are assigned to all hospitals and all hospitals adopt commitment registers   | Done   |
| Further measures are taken to improve the accounting, book-keeping of medical supplies and billing systems, through: the introduction of analytical cost accounting systems;  | In progress. All hospitals are using double accounting.  |
| Development of a system of patient electronic medical records.  | In process. A Committee for e-prescribing is established and will work with IDIKA to develop the system.   |
| Initiation of the necessary tendering procedures to implement a comprehensive and uniform health care information system (e-health system) including the full and integrated system of hospitals' IT systems.   | On going. Tender for IT integrated system is launched. Progress report was submitted in February 2013  |
| <b>STRUCTURAL REFORMS</b>   |  |
| <b><u>Education system reforms</u></b>  |  |
| Implementation of the Action Plan for the improvement of the effectiveness and efficiency of the education system education institutions.   | The action plan is under implementation, the ministry of education reports regularly on the progress.  |
| Activation of the Quality Assurance Authority for higher education  | Done   |
| The procedure on the consolidation / merging of departments of universities and technological institutes (ATHINA Project) starts  | Near completion, law is in the parliament for voting.  |

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| to be implemented.   |   |
| <b><u>Labour market reforms</u></b>  |   |
| Revision of the minimum wage setting system.   | A study is being prepared "tracking" the practices of how the minimum wage is set in Europe in order to facilitate the drafting process |
| Independent evaluation of the Labour Inspectorate (SEPE), and preparation of a detailed action plan aimed at strengthening the fight against undeclared work and raising the effectiveness of the Labour Inspectorate.   | The independent evaluation of the ILO is completed. SEPE is currently preparing the implementation of the Action Plan.                  |
| Preparation of a report on the structure of the Labour Code.   | In progress, prepared by Group Koukiadis.   |
| Provision of support to the job matching process and activation of the unemployed by broadening the role of the Public Employment Service and by introducing short-term public work programmes where feasible and appropriate;   | In progress   |
| <b><u>Business environment reforms</u></b>   |   |
| Further refinement in the list of non-reciprocating charges in favour of third parties presented to the Commission services in November 2011   | Completed , the relevant list has been sent to IMF/ECB/EC   |
| Elimination of the prior check carried out by the One Stop Shop (OSS) on outstanding social security and health payments by founders, members, and directors of the new company, so that it does not cause a potential blockage to company formation.  | Abolished, Omnibus Law 4093/2012  |
| eliminates the ex-ante requirement for company seal .  |   |
| Provision for a draft model company statutes without the prior proposal of the chambers of notaries and lawyers (cfr., Art. 12.2 of Law 3853/2010);  | a draft of model company statute has been sent to IMF/ECB/EC  |
| Reduction in the minimum capital requirements for new companies to levels comparable with "best practice" Member States and within the limits of the second Company Law Directive;   | Done, cabinet act FEK 240/A/12-12-2012  |
| The registration of companies with the chambers of commerce becomes voluntary as of January 2015;  | Done, cabinet act FEK 240/A/12-12-2012  |
| Facilitation of the fast track licensing procedure for technical professions, manufacturing activities and business parks  | In progress, a series of PDs have been issued or are ready to be issued.  |
| Citizens Service Centres' (KEP) will be authorized for carrying out integrated electronic application among licensing bodies   | In progress draft PD under preparation  |
| Certification of the licensing service of the Chamber of Engineers.  | Near completion, draft PD under consultation with IMF/ECB/EC  |
| Further specification of the procedure and specific criteria for environmental licensing.  | Near completion, draft MD under consultation with IMF/ECB/  |
| Review of pre-customs and customs procedures for selected pilot products (fresh vegetables fruits, white cheese) according to EU regulations and best practices and presents an approach for extending the simplification process to a wider set of frequently exported / imported products; | In progress   |
| Application of the Standard Cost Model (SCM) to identify administrative burdens for businesses in 13 key sectors, with a view to reducing administrative burdens by at least 20 percent  | Under implementation  |
| Adoption of legislation to simplify and reduction of the time needed for town planning processes   | In progress, expected to be completed in June   |
| Acceleration of the completion of the land registry  | Delayed   |
| Screening of the restrictions in the air transport services (including airport services) and water transport (including seaport services) and preparation of a set of measures to promote competition in those sectors and facilitate price flexibility.                                     | In progress   |
| Application of the Competition Assessment Toolkit in sectors such as food processing, retail trade, building materials and tourism to identify unnecessary restraints on market activities and   | In progress, in collaboration with OECD. Expected to be completed in September.   |

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| develop alternative, less restrictive measures that still achieve government policy objectives.   |   |
| <b><u>Judicial system reforms</u></b>   |   |
| Adoption of a Presidential Decree providing for the rationalisation and reorganisation of the magistrates' courts and the allocation of appropriate human resources and infrastructure for the new structure of magistrates' courts resulting from this reform making the most effective use of the existing resources available within the system. | Done. Presidential Decree issued (110/2012-A'93)  |
| Update and operationalisation of the e-justice work plan for the use of e-registration and e-tracking of the status of individual cases in all courts covered by the action plan and for e-filing.  | In progress   |
| Development of the active promotion of pre-trial conciliation, mediation, and arbitration, with a view to ensuring that a significant amount of citizens and businesses make use of these modes of alternative dispute resolution.  | In progress. The strategic plan of the MoJ on the active promotion of pre-trial conciliation and mediation has been forwarded to IMF/ECB/EU |
| <b><u>Energy policy</u></b>   |   |
| Submission of a plan for the restructuring of PPC with a view to preparing the company for privatisation and to allowing PPC to be competitive with other firms in a liberalised electricity market.  | In progress, draft plan submitted to IMF/ECB/EU   |
| The Government assesses best practices with a view to charging royalties for the use of hydro and lignite.  | A relevant report is due to be delivered.   |
| Issuance of a Ministerial Decision, based on the advice of RAE, on the large-scale replacement of existing systems with smart metering systems and explores assistance from EU structural funds and/or the EIB to conduct this strategic investment.  | Done, MD issued   |
| Submission to the Commission services of a detailed plan for the reform of the renewable energy support schemes such that they are more compatible with market developments and are subject to budgetary discipline.  | The plan for the reform of the renewable energy support schemes was completed and submitted.  |
| Presentation of a detailed plan and roadmap to change the market model, including measures to have effective competition in generation and supply, the development of a power exchange, introducing an intra-day market and implementing market coupling with neighbouring markets.   | RAE's final proposal has been submitted and comments are expected from the EC   |
| Establishment of the framework for setting up of a Central Stockholding Entity (CSE), within the meaning of the Directive 2009/119  | Done, Law 4123/2013   |
| <b><u>Transport</u></b>   |   |
| Approval of the required law (and necessary acts) that ensures equal conditions and access equity to all road passenger service operators.  | Law under preparation   |
| Amendment of Law 2932/2011 in order to increase the effectiveness and flexibility of the domestic ferry industry  | A draft law has been submitted to Parliament  |
| Launch of the appropriate process leading to the privatisation of regional airports.  | Tender process will be launched within April  |
| Submission of legislation for the restructuring of the Hellenic Civil Aviation Authority (HCAA), which strengthens its regulatory role and implements the full separation between Regulation and Management from Operation.   | Draft Law under preparation in consultation with IMF/ECB/EV   |
| Amendment of law to ensure that the fee of charges for obtaining a license or a safety certificate does not exceed the average European charge. All operators are awarded safety certificates on the basis of published, simple and transparent rules for the duration of five years.   | The fee for obtaining a license has been amended with a ministerial decision  |
| Establishment of an independent award authority for passenger services by rail that can organize competitive tenders.   | In progress   |

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| <b><u>Retail Sector</u></b>  |   |
| Application of the same standards for transporting perishable goods to private-use trucks as those applicable to public-used trucks;   | Done, circular issued.  |
| Revision of Ministerial Decision A2-3391/2009 on market regulations  | In progress, in consultation with EC. Expected to be accomplished by end of June. |
| Amendment of the Market Policing Code (Law 136 / 1946) providing for various forms of public sector intervention in the production, distribution and consumption of goods in line with the simplifying recommendations of the Hellenic Competition Commission's opinion no. 24/VII/2012.   | Draft Law prepared and is under consultation with IMF/ECB/EC                      |
| <b><u>Regulated professions, professional qualifications and provision of services</u></b>   |   |
| Amendment of sector specific legislation as per the opinions of the Hellenic Competition Commission.   | In progress , under preparation.  |
| Setting up of a system of prepaid fixed/contract sums for each procedural act or appearance by a lawyer, which is not linked to a specific 'reference amount'.   | In progress   |
| Identification of ways of de-linking taxation from engineers' legal fees and from lawyers' legal fees / reference amounts.   | In progress   |
| Amendment of unjustified or disproportionate requirements reserving certain activities to providers with specific professional qualifications, starting from the main regulated professions (i.e., lawyers, engineers, accountants, sworn-in valuers, energy / building inspectors, etc.). | In progress   |
| Elimination of total bans on commercial communications, repeal age limits to take the Bar examinations, ease the re-entry into the legal profession and clarify the nature of lawyers' fees provided for in current legislation.   | To be completed by end-June 2013.   |
| Effective implementation of EU rules on the recognition of professional qualifications; including compliance with ECJ rulings (inter alia, related to franchised diplomas).  | In progress, law is under preparation   |
| The Point of Single Contact (PSC) is fully operational in all  | Done  |