



ΙΔΡΥΜΑ ΟΙΚΟΝΟΜΙΚΩΝ & ΒΙΟΜΗΧΑΝΙΚΩΝ ΕΡΕΥΝΩΝ
FOUNDATION FOR ECONOMIC & INDUSTRIAL RESEARCH

*“Integrating Greece into the European Semester Policy
Framework: Priorities for sustainable growth and
competitiveness”*

Conference Proceedings

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The European Commission in collaboration with the Foundation for Economic & Industrial Research - IOBE organized a one-day Conference in Athens, Greece, on Wednesday 20 March 2019, entitled "Integrating Greece into the European Semester Policy Framework : Priorities for sustainable growth and competitiveness".

The Proceedings Report was coordinated by Georgios Gatopoulos, Head of IOBE international macroeconomics and finance unit, under the supervision of the General Director of IOBE, Professor N. Vettas. Ms. Abigail Chernila provided excellent research assistance. The judgments on policy proposals contained in this report express the opinions of researchers of IOBE and do not necessarily reflect the opinion of the members or the Board of IOBE nor of the European Commission.

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SUMMARY

The European Commission in collaboration with the Foundation for Economic & Industrial Research - IOBE organized a one-day Conference in Athens, Greece, on Wednesday 20 March 2019, entitled “Integrating Greece into the European Semester Policy Framework : Priorities for sustainable growth and competitiveness”.

The conference achieved the following **objectives**:

- To raise awareness about the European Semester, the role of Greece in the post-memoranda era, as well as the role of the Structural Reform Support Service in providing technical support to several growth enhancing reforms, such as the independent authority for public revenues, the investment licensing reform, the anti-corruption strategy and the Hellenic Development Bank.
- To provide insights about international and EU best practices and policies in relation to improving the business environment, inter alia aiming to boost competitiveness, reduce administrative burden, and foster innovation
- To present some stylized economic facts about Greece, areas where significant reform progress has been made, how it compares with other EU peers, and areas where significant challenges remain that consist of downside risks for its medium and long-term sustainable recovery
- To launch the public discussion about policy recommendations and priorities that Greek policy makers need to urgently consider in order for the country to transform the recent crisis into an opportunity, particularly in the areas of the regulatory framework and business environment and in order for the economic recovery to be long-lived and sustainable.

Among the **policy priorities** highlighted during the conference interventions, were the following¹:

- Greece has an interest to focus on timely implementing all the reform commitments agreed with European partners and the international community in the areas of fiscal, fiscal structural, social welfare, financial stability, labour and product markets, privatization and public administration, as presented in the first session. This can be achieved only if the local political, social and business communities apprehend how substantially these policy interventions can enhance the country’s growth prospects and support their sustained implementation. The role of communication policy and implementation coordination is hence key.
- In view of the large investment gap cumulating over the past decade, there is a need but also a strong potential for Greece to attract both domestic and foreign investments through targeted reforms covering sectors where Greece exhibits a comparative advantage, such as agro-food, tourism, health, ICT, high tech, transport and logistics, education. Various bottom-up strategies have been proposed to stimulate investment:

¹ The judgments on policy priorities express the opinion of researchers of IOBE and do not necessarily reflect the opinion of the European Commission.

facilitating technology transfer, providing intelligent start-up funding, and promoting innovation hubs, through appropriate investment incentives. These can be assisted by improving the regulatory framework for infrastructure including network industries, R&D, innovation/connectivity, and education/skills.

- In line with international good practice, Greece needs to prioritize the modernization of its public administration with a clear separation between executive and legislative branches, as well as the independence and efficiency of its regulatory authorities. In parallel, policy makers can prioritise the modernization of the judicial systems so that it remains independent and becomes more efficient.
- Greece can develop systematic mechanisms to benchmark, monitor and evaluate reform policies with an aim to periodically proceed with improvements to converge with EU best practices. Reform efforts may target the most significant remaining barriers to sustainable growth, including unnecessary administrative burdens and controls at both local and central level, excessive legalism in both public and private sectors, a poorly designed taxation system with excessively high tax rates, and a slow and inefficient judicial system.
- Accelerating e-governance reforms, including the adoption of once-only-principle, the digital-only principle and electronic ID, can substantially reduce administrative costs, create fiscal savings, offer synergies that increase both public and private sector's productivity and thus significantly enhance medium and long-term economic growth prospects.
- All in all, after ten years of crisis there is no room for complacency and it is high time that the Greek political and social system reach a consensus on a broad package of reform objectives. Working systematically towards achieving these objectives will allow the country to grow faster and more sustainably in the medium and long-term horizon, which in turn will improve the citizens' standard of living.

1. SCOPE OF THE CONFERENCE

The underlying theme of the conference was how to establish a longer term economic policy agenda for Greece in similar way to that established by other EU Member States. Now that fiscal and macroeconomic stability have largely been restored, the main economic policy challenge for Greece is how to create a rapid and sustainable recovery of growth and jobs not only in the short-term, but equally importantly in the medium and long-term horizon. The workshop raised a number of questions and aimed to achieve the following objectives in each of the following sessions:

- Session 1. Greece in the European Policy Framework; the purpose was to raise awareness about the European Semester economic policy framework, the role of Greece in the post-memoranda era, key challenges and opportunities
- Session 2. Benchmarking business environment and regulation; the objective was to present international benchmarking of doing business and competitiveness by two of the most prominent ranking institutions worldwide, present the good policy example of Portugal, and put Greece current economic challenges in a global perspective
- Session 3. Implementing structural reforms for growth – EC support; the purpose was to communicate on the European Commission's active support for the implementation of growth enhancing reforms through the Structural Reform Support Service and the particular support provided to Greece over the last years, such as support for the independent authority for public revenues, the investment licensing reform, the anti-corruption strategy and the Hellenic Development Bank.
- Roundtable 1. Reducing administrative burden; The objective of the roundtable was to present international best practice through the e-governance reforms in Estonia and Greece's current administrative burden challenges in perspective, while highlighting reform priorities
- Roundtable 2. Creating a regulatory environment fostering innovation; given the importance of innovation in boosting a country's productivity and enhancing its long-term growth prospects, the roundtable would focus on the elements of the regulatory framework that Greece needs to improve in a manner that fosters innovation, also in line with international good practice.

The conference attracted a very large number of participants, exceeding 270 persons, representing the academic, journalistic, diplomatic, social partner, and business communities. The conference sessions and roundtables were organized in a manner combining insights from international best practice, while at the same time linking those with reform priorities for Greece's sustainable recovery. Hence, the conference offered perspectives across time, but also and importantly perspectives across countries, through highlighting some leading case studies from across the EU. The themes focused on on-going reforms, key remaining challenges ahead, mostly covering the areas of business environment, investments, administrative burden, innovation and structural funds. The main takeaway was whilst many reforms have been carried out in Greece during the last decade, even more remains to be done in order for Greece to converge with its EU peers.

The report summarizes the individual conference sessions (chapters 2-6) and concludes with a discussion about conference takeaways and structural policy priorities (chapter 7). Links to the conference presentations and related sources are available in the Annex.

2. GREECE IN THE EUROPEAN POLICY FRAMEWORK

2.1 *Session's scope*

The first session presented a summary of the evolution of the Greek economy during the programs and outlined the new role of Greece in the context of the European Semester process. **George Markopouliotis**, Head of the European Commission Representation in Athens, addressed a welcome introduction where he noted that the EC is pleased to co-host such an event, which would be the precursor of similar events in the future.

Maarten Verwey, Director General, Structural Reform Support Service (SRSS), European Commission, delivered the opening speech where he acknowledged the important reform efforts of the Greek authorities and underlined the support provided to Greece in implementing structural reforms, first through a special Task Force for Greece, established in 2011, and thereafter through the Structural Reform Support Service, established in 2015. More specifically he indicated that the SRSS has assisted in the design and implementation of more than 150 technical support projects in Greece in all reform areas, thus helping Greece successfully meet its programme obligations. He assured that the SRSS will continue working closely together with the authorities and its partners to support the implementation of sustainable, growth enabling reforms in Greece.

2.2 *European Semester Country Report for Greece*

Declan Costello, Mission Chief for Greece, Directorate General for Economic and Financial Affairs (DG ECFIN), European Commission, presented the European Semester Country Report for Greece, which was published on February 27th, 2019 (European Commission, 2019a). This was the first Country Report for Greece under the European Semester and marks the beginning of a new era for the country after the country's exit from the European Stability Mechanism support programme (August 2018), namely through its integration into the European Semester for economic policy coordination, as is the case for other member states. Among the main themes of the Country Report (chapter 3.4 on "Competitiveness Reforms and Investment") was how to establish the right framework conditions to encourage investment and ensure the growth and development of innovative enterprises in Greece, a theme that guided the discussion during the conference's first session.

The European Semester report monitors economic and social developments in Greece and complements the quarterly reports produced by the European Commission services in the context of the post-programme Enhanced Surveillance Procedure that applies to Greece (European Commission, 2019b). The latter caters for the specific needs and challenges of Greece and aims at deepening and strengthening the policies adopted or committed to by the authorities during the programme period, as reflected in the number of policy actions that were affirmed at the Eurogroup meeting of June 2018. Such policy commitments broadly cover the following key areas: fiscal and fiscal-structural policies, social welfare, financial stability, labour and product markets, privatization and public administration (Table 2.1).

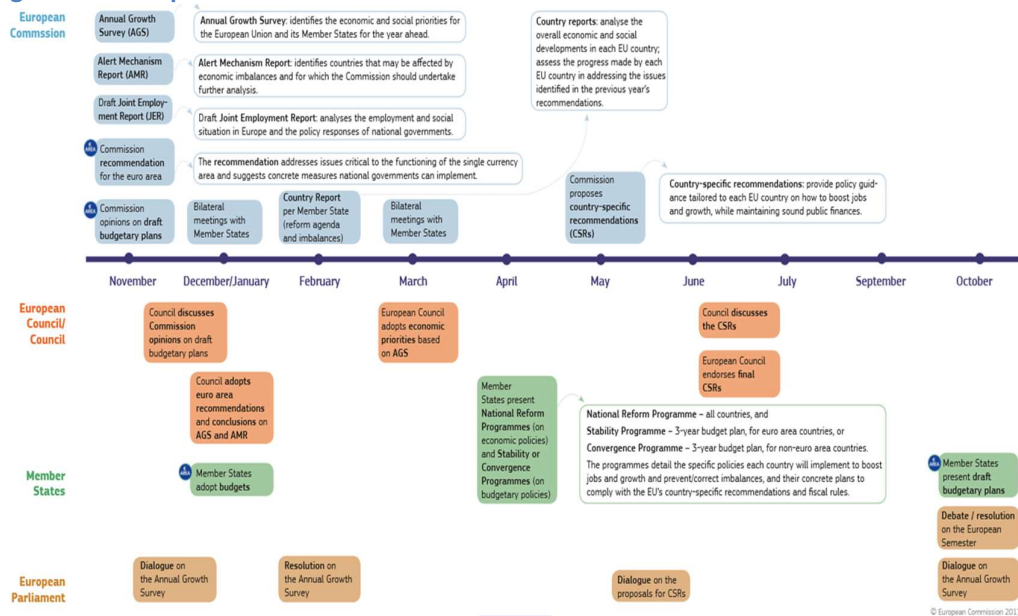
Table 2.1: Greece after the programs: Key challenges and reform commitments

Policy Area	Reform commitment
Fiscal and fiscal-structural policies	Respect primary surplus targets. Fully clear arrears, a growth-friendly reform of labour and corporate taxes, a fully independent public revenue authority, public financial management reforms
Social welfare	Full integration of pension funds, primary health care and health procurement, phases-II and III of the SSI, complete the reform of housing and disability benefits
Financial stability	Household insolvency, e-justice, exit strategy for sale of shares in systemic banks, capital controls
Labour and product markets	Minimum wage updates, undeclared work, investment licensing, cadaster, energy market reforms including divestment
Privatisation and HCAP	Completion of major privatisation projects, monetise real estate assets of ETAD and modernize SOEs
Public administration	Appointments of top public managers, mobility and performance assessments, codification of legislation, anti-corruption

Source: Presentation by Declan Costello, 20 March 2019

In parallel, and complementarily, the European Semester Country Report presents the overall economic and social developments in Greece in light of the European Commission’s Annual Growth Survey that was published in November 2018. The report also provides an in-depth review, in line with the Commission’s Alert Mechanism Report of November 2018 that found that such an in-depth analysis was warranted in the case of Greece to examine the possible existence of imbalances. In terms of the institutional process and interaction between EU authorities and member states, Declan Costello presented a brief summary of the various steps and milestones in the context of the European Semester (Figure 2.1: Figure 2.1).

Figure 2.1: European Semester: Governance framework and timeline



Source: Presentation by Declan Costello, 20 March 2019

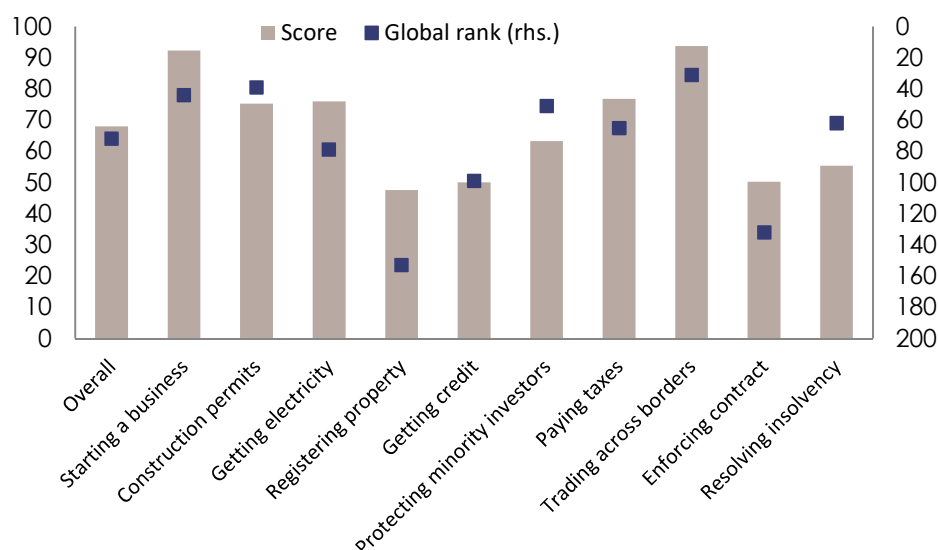
In relation to where Greece stands today, after 8 years of support programmes, Declan Costello acknowledged areas of progress, as well as important challenges ahead. **On the positive side**, he highlighted that institutional and structural reforms, initiated in recent years to modernise the economy and the State, have started to bear fruit, as reflected by the successful conclusion of the European Stability Mechanism programme, recent public debt issuances, the recovery of growth and the gradual reduction of unemployment. Furthermore, public finances and cost competitiveness have significantly improved as reflected in the dramatic narrowing of the previously double-digit budget and current account deficits to almost balanced levels.

After almost a decade of contraction and stagnation, Greece's economy started to grow again in 2017 and expected to have accelerated in 2018. Even though part of the adjustment is due to a cyclical contraction in domestic demand, past improvements in external competitiveness are starting to bear fruit. In its National Growth Strategy, the government set an ambitious target for exports, namely 50 % of GDP. Looking at the labour market, conditions are set to continue to gradually improving though from a very weak base. The Greek economy is currently characterised by relatively low productivity because of both cyclical and structural factors.

At the same time, Declan Costello highlighted a series of **challenges ahead**. From a macro-financial perspective, potential growth has suffered during the crisis, and large accumulated imbalances remain amid moderate nominal GDP growth. These imbalances, are notably, reflected in the high public debt, the negative net international investment position, the high non-performing loans on banks' balance sheets, the large investment gap and the still high unemployment rate. Looking more closely at the external sector, one may see that gains in cost competitiveness have also stalled recently in light of subdued productivity growth. Obviously, these imbalances weigh on the banking sector and potential growth and expose the country to adverse shocks with potentially harmful implications for the real economy.

Among the key structural challenges for the Greek economy, the presentation highlighted the **small average size of business**, the country's **unattractive business environment** and the **persistently large investment gap**. On the former, despite progress in sector-specific product market reforms, public administration inefficiencies and red tape continue to be an obstacle for firms to grow.

Figure 2.2: Word Bank Doing Business 2019: Greece score by area (100 = max)



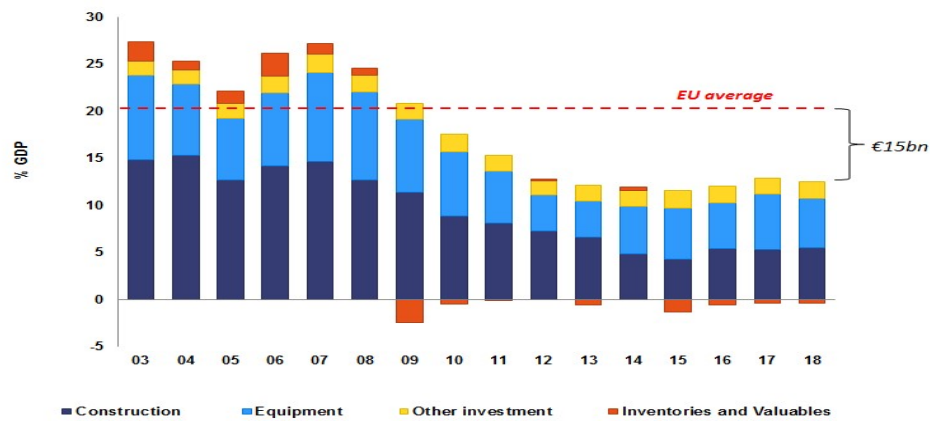
Source: WB Doing Business 2019, Presentation by Declan Costello, 20 March 2019

Note: Greece ranked 27th out of 28 EU countries in ease of doing business in 2019, only ahead of Malta

In the latest World Bank Doing Business report (World Bank, 2019), Greece ranked 72 out of 190 economies in 'ease of doing business'. This is a significant improvement compared to 2009, when it ranked 109th, but it is still far from its peak performance in 2015, when it ranked 58th. Hence, Greece is still far from global best practices and stronger efforts are needed to keep up with competitors. In particular, as shown in Figure 2.2, that decomposes the World Bank Doing Business index into its main elements, the most problematic areas include registering property, enforcing contracts and accessing credit.

During the economic crisis, Greece has experienced extremely low investment rates - scarcely enough to replace the depreciation in the capital stock. Based on a comparison of Greek investment in 2018, around 13% of GDP, with the average EU investment rate, around 21% of GDP, the European Commission estimates that Greece has some €15bn in "missing investments" per annum, corresponding to an investment gap of some 8% of GDP per year (Figure 2.3). This has significant negative implications for the country's medium term recovery and growth prospects. Low investment holds back the sustainable rate of economic growth in the country, while low economic growth itself holds back the scope for financing new investment. Private investment remains constrained in a context of deleveraging in the banking sector and high indebtedness.

Figure 2.3: Investment gap in Greece during 2010-2018



Source: AMECO

Source: Ameco, European Commission estimates, Presentation by Declan Costello, 20 March 2019

Looking forward, Declan Costello highlighted the need to provide strong foundations to growth through “enablers” that range from infrastructure including network industries, urbanisation, R&D, innovation/connectivity, and education/skills. In this context, he highlighted a range of investment opportunities for Greece, including the following:

- transport and logistics, e.g. ports and port infrastructure, coastal shipping routes, and railway axes completion;
- energy market, e.g. generation, transmission, efficiency and innovation;
- public infrastructure, e.g. climate adaptation and environmental challenges;
- education services, social inclusion, public employment service, childcare, long-term care;
- sectors with competitive advantages, such as agro-food, tourism, health, R&D.

Barbara Kauffmann, Director for Employment and Social Governance in the Directorate-General of Employment, Social Affairs and Inclusion, presented the labor market and social policy angles of the European Semester Country Report for Greece. In relation to labor market developments, she acknowledged that unemployment has dropped by 10 ppts from historically high levels, but raised concerns in relation to three elements:

- long-term and youth unemployment remain unacceptably high, despite their declining trend (73 % of unemployed have been unemployed for more than 1 year and half of them have been out of work for more than 4 years);
- female participation rate is very low, especially for age groups below 25 years and above 45 years;
- population is ageing and shrinking due to strong emigration and low fertility rates.

Figure 2.4: European Pillar of Social Rights: Social scoreboard for Greece

Equal opportunities and access to the labour market	Early leavers from education and training (% of population aged 18-24)	Better than average
	Gender employment gap	Critical situation
	Income quintile ratio (S80/S20)	Weak but improving
	At risk of poverty or social exclusion (in %)	Critical situation
	Youth NEET (% of total population aged 15-24)	Critical situation
Dynamic labour markets and fair working conditions	Employment rate (% population aged 20-64)	Critical situation
	Unemployment rate (% population aged 15-74)	Weak but improving
	Long term unemployment (% population aged 15-74)	Weak but improving
	GDHI per capita growth	Critical situation
	Net earnings of a full-time single worker earning AW	On average
Social protection and inclusion	Impact of social transfers (other than pensions) on poverty reduction	Critical situation
	Children aged less than 3 years in formal childcare	Weak but improving
	Self-reported unmet need for medical care	Weak but improving
	Individuals' level of digital skills	To watch

Source: Presentation by Barbara Kauffmann, 20 March 2019

From a social policy perspective, Barbara Kauffmann noted that Greece faces significant challenges with regard to most of the indicators of the Social Scoreboard supporting the European Pillar of Social Rights (Figure 2.4). In particular:

- labour market participation is chronically low, in particular for youth, women, older workers and people with disabilities. This requires addressing structural barriers to labour market participation;
- Greece performs well only in terms of educational attainment. At the same time, the system of vocational education and training is still underdeveloped;
- Due to time lags, the effects of recent reforms to the Greek social welfare system are not yet captured by the statistics: these are expected to have improved the impact of social transfers on poverty reduction;
- The provision and availability of social services (e.g. child care, long-term care) remains limited and poorly targeted, hence further sustained investment is needed.

In her concluding remarks, Barbara Kauffmann argued that sustainable and inclusive recovery is essential. To see improvements, Greece must track the impact of social spending, continue to improve support for the unemployed, implement the Action plan to combat undeclared work, and modernize the social welfare system. Current improvements include increasing employability and participation through labor market relevance of education and job matching, in addition to fostering growth and jobs through collective bargaining, human capital investment, and policies against undeclared work.

Nikos Vettas, General Director of the Foundation for Economic and Industrial Research (IOBE), and professor at the Athens University of Economics and Business, moderated the Q&A session, which followed the two interventions. Among the issues that came up, in relation to the outcome of the support programmes, there was reference to the negative impact from “lack of ownership” during the programmes and to the “stop-start” approach to reforms, instead of continuous and consistent targeting. In relation to social policy, the issue of poor targeting of social spending came up, highlighting that there is significant room for improvement even with limited fiscal space.

3. BENCHMARKING BUSINESS ENVIRONMENT AND REGULATION

3.1 *Session’s scope*

International surveys such as the World Bank Doing Business report and the IMD World Competitiveness Rankings can play an important part in guiding policy making to improve the business environment and reinforce competitiveness. The same applies with good practices in other countries, which managed to make substantial progress in their business environment. The objective of the session was hence two-fold: (a) present international benchmarking of doing business and competitiveness by two of the most prominent ranking institutions worldwide, the World Bank and the IMD, (b) present the good policy example of Portugal, and put it in perspective in comparison to Greece’s current challenges as prioritized by IOBE independent economics think-tank.

Amongst the questions that the roundtable addressed were:

- What are the methodologies and scope of the World Bank and IMD benchmarking surveys that are followed so closely by policy makers and businesses?
- What can the surveys tell us about Greece's business environment and our underlying competitiveness?
- How can such surveys usefully contribute to shape economic policy making at national level? We have an important and distinguished example from Portugal.
- What are the immediate priorities for improving the business environment in Greece?

3.2 *World Bank Doing Business Survey*

Maria Magdalena Chiquier, Private Sector Development Specialist at the World Bank, Doing Business unit, presented some main features of the latest Doing Business Survey, while focusing in findings in relation to Greece (World Bank, 2019). Despite overall progress, Greece continued to rank poorly in the overall index in 2019, appearing last among OECD members

and second last among EU peers (Figure 3.1). As discussed during the previous session, Greece particularly lags in progress in the areas of access to credit, property registration, insolvency framework and minority investors' protection.

Figure 3.1: World Bank Doing Business 2019: Greece ranking across OECD members

Rank	Economy	Score		Rank	Economy	Score	
1	New Zealand	86.59		30	Spain	77.68	↑
3	Denmark	84.64	↑	32	France	77.29	↑
5	Korea, Rep.	84.14	↓	33	Poland	76.95	↓
7	Norway	82.95	↑	34	Portugal	76.55	↓
8	United States	82.75	↓	35	Czech Republic	76.10	↑
9	United Kingdom	82.65	↑	36	Netherlands	76.04	↑
12	Sweden	81.27		38	Switzerland	75.69	↑
14	Lithuania	80.83	↑	39	Japan	75.65	↑
16	Estonia	80.50	↑	40	Slovenia	75.61	↑
17	Finland	80.35	↑	42	Slovak Republic	75.17	↑
18	Australia	80.13	↓	45	Belgium	73.95	↑
19	Latvia	79.59	↑	49	Israel	73.23	↑
21	Iceland	79.35	↑	51	Italy	72.56	↓
22	Canada	79.26	↑	53	Hungary	72.28	↑
23	Ireland	78.91	↓	56	Chile	71.81	↑
24	Germany	78.90		66	Luxembourg	69.01	
26	Austria	78.57	↑	72	Greece	68.08	↓

Source: WB Doing Business 2019, Presentation by Maria Magdalena Chiquier, 20 March 2019

Maria Magdalena Chiquier noted that opportunities for reform in Greece exist mainly in the following categories: business regulation, construction permits, getting electricity, property registration, contract enforcement, getting credit, protecting minority investors, and resolving insolvency. In these indicative areas, she provided various examples of potential reforms, as listed below.

- **Business Registration:** on-line digital registration introduced in 2018, further streamline business registration to include tax and social security registration under the GEMI platform and improve back office functions at GEMI
- **Construction Permits:** move to online single window processing of building permit applications and Implement a robust GIS system.
- **Getting Electricity:** streamlining time and procedures and considering connection cost reductions; create an online application portal and encourage its use; publish SAIDI and SAIFI indexes online
- **Property Registration:** unlock inefficiencies in the real estate sector through increased efficiency in property registration, improved land administration infrastructure, transparency and quality of land dispute resolution.
- **Contract Enforcement:** improve the quality and predictability of judicial process through increased efficiency of commercial dispute resolution, including court specialization in commercial disputes, further court automation, and implementation of standards.
- **Getting Credit:** strengthening the secured transactions framework and introducing a collateral registry

- Protecting Minority Investors: improve the Company Act to increase disclosure of related-party transactions, strengthen directors' liability index, increase corporate transparency and access to evidence in shareholders' suits
- Contract Enforcement: improve the quality and predictability of judicial process through increased efficiency of commercial dispute resolution, including court specialization in commercial disputes, further court automation, and implementation of standards
- Resolving Insolvency: updating the Insolvency Framework to align with global good practices

Last but not least, Maria Magdalena Chiquier highlighted **the key elements for successful reform implementation**. She underlined the need for high-level political commitment to reform, as well as for monitoring the effectiveness of implementation while preserving clear accountability within the civil service and stakeholders. In order to achieve the desired objective, it is crucial to educate the public sector on how to implement the new policies and the private sector on how to use all available tools. Some key factors for success are hence the political and social ownership of reforms, a medium to long-term strategic vision and action plan, and effective communication with the private sector to involve them in the design and implementation of reforms and ensure widespread awareness of the changes. In the case of Greece, there is certainly room for significant improvement in all these dimensions, with upside potential stemming from the creation of an effective multi-agency coordination mechanism.

3.3 *IMD World Competitiveness Rankings*

Christos Cabolis, Chief Economist and Head of Operations at the IMD World Competitiveness Center, presented some key findings in relation to Greece in the context of the latest World Competitiveness Report (IMD, 2018). Greece continues to exhibit low ranking for, particularly for areas such as the domestic economy (also affected by low demand due to the recession), international investment, employment, public finance, fiscal policy, institutional framework, labor market, and corporates' attitudes and values.

On the positive side, the country's most attractive factors include the high education level, skilled workforce, and cost competitiveness (Figure 3.2). The country scores fairly well as per its "open and positive attitudes", and "reliable infrastructure", while the effectiveness of labour relations has substantially improved following various recent labour market reforms. Among the country's strengths in skilled labour, the speaker highlighted the high availability of qualified engineers, and made special note to the performance of the tourism sector.

On the negative side, the government's competency is perceived by the market as excessively low, access to financing is very poor and the legal environment is deemed ineffective. The country further continues to score poorly in relation to bureaucracy, adaptability of government policy, R&D culture, use of technology, and tax regime competitiveness (high tax wedge and other tax rates) and policy predictability.

In conclusion, there seems to be significant scope to further improve Greece's business environment. This policy objective is vital, because it can have positive economic impact

through a broad range of channels: improve labour and total factor productivity, exports performance, enhance the degree of the economy's digitalization, foster R&D, innovation, human capital quality, entrepreneurship, encourage the scale-up of firms, etc.

Figure 3.2: IMD World Competitiveness Ranking 2018: Greece key attractiveness indicators



Source: IMD World Competitiveness Report 2018, Presentation by Christos Cabolis, 20 March 2019

3.4 Good practice from Portugal

Ricardo Pinheiro Alves, Director of the Research Office of the Ministry of the Economy and co-Head of the National Productivity Board and Assistant Professor at UE-IADE in Lisbon, shared with the conference participants some recent reform experiences from Portugal. He noted upfront, that a crucial success factor in Portuguese recent progress was achieving political consensus rather early in time, aiming towards a consistent policy strategy around three axes:

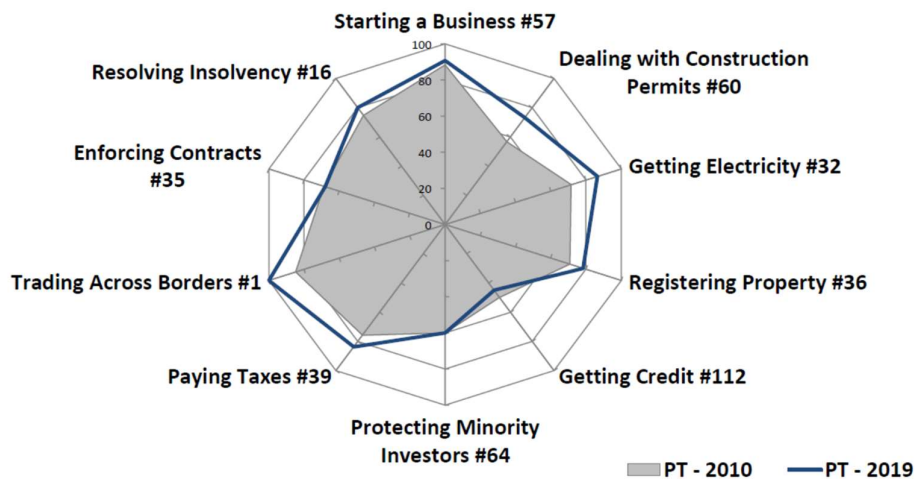
- Improving the **business environment**, namely in relation to the justice system, the fiscal framework/visibility and licensing procedures in coordination with local governments
- Strengthening the independence of **sound regulatory authorities**. Within this framework, the objective was to avoid overlaps across regulators while increase their autonomy and accountability. A successful example was setting up a specialized Portuguese competition court.

- Setting up systematic processes for **policy evaluation**. This included both ex-ante and ex-post cost-benefit assessment of new laws. Monitoring is a necessary but not sufficient condition for policy evaluation.

In 2010, Portugal undertook a systematic inventory of all regulations and their costs at central, regional and local level. Guided by this inventory, the country has subsequently systematically improved its business environment in nearly all indicators, most notably in trading across borders, getting electricity, and dealing with construction permits (Figure 3.3). The country’s new licensing regime has improved the business environment by reducing the administrative costs of regulations at all levels, through implementing a roadmap for regulatory simplification, and a one-stop shop and on-line declaration for commerce, services, tourism, and light industries. The new framework law for regulation reportedly enhanced the independence of Portuguese regulators, inter alia in parallel with privatizing network industries and reaffirming guarantees to independent and strong regulators. Constant policy evaluation is necessary, in order to prevent future growth of excessive regulation. Evaluating, rather than passively monitoring, will be a key factor for success.

In summary, Portugal over-performed other program peers during the crisis inter alia because of their focus on the continuity of business environment reforms, regardless of changes in governments. The Portuguese example showed that a systematic prioritization of reforms was important, since not everything can take place at the same time. Finally, together with regulatory independence and policy evaluation mechanisms, it was crucial that Portugal improved the coordination between local and central administrations, in order to avoid duplicate administrative burden, overlapping competencies, and lack of accountability. Of particular importance was the initiative by the Portuguese government to integrate municipalities as partners in improving the regulatory environment, with major focus on the simplification of licensing procedures.

Figure 3.3: Word Bank Doing Business: Portugal rank by area in 2010 and 2019



Source: WB Doing Business 2019, Presentation by Ricardo Pinheiro Alves, 20 March 2019

Note: Portugal ranked 14th out of 28 EU countries in ease of doing business in 2019

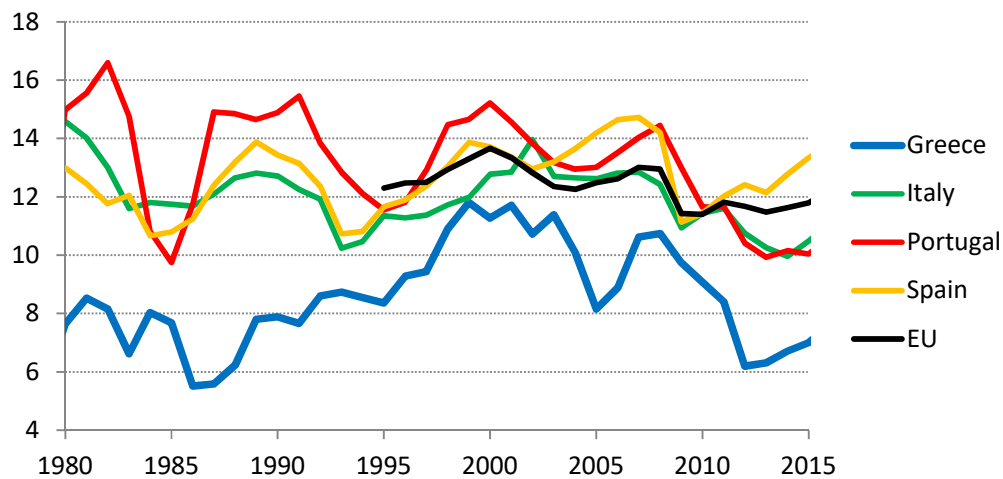
3.5 *Greek crisis, reforms and growth prospects*

Nikos Vettas, General Director of the Foundation for Economic and Industrial Research (IOBE), and professor at the Athens University of Economics and Business, provided with an overview of Greek economic challenges and policy priorities, and urgency for their implementation, given how decisively other economies reform in the meantime, as revealed also by previous speakers in the same session.

On the positive side of Greek economic trends, Nikos Vettas described a series of indicators which reveal that progress has been made during the programmes. Previously persistent and excessive twin deficits in both fiscal and external sectors have largely been balanced, while some structural improvements have been achieved. Those were evident mainly in the labour markets, but some also in product markets, namely through deregulation, privatization and reduction of legislative barriers, in fiscal structural areas through the unification of the pensions system, in tax administration through the establishment of an independent tax collection authority and the roll out of electronic filing, in health care through electronic prescription, etc. Sectoral soft indicators show that both business and consumer sentiment have started recovering recently, albeit remain subdued and much below EU average, especially in relation to construction activity or retail trade.

On the challenges' side, business environment remains unattractive and economic policy unpredictable despite the end of the programmes. A crucial downside risk relates to the persistent investment gap which cumulates over the past ten years. In 2017, 10 years after their peak, investments remain significantly lower, at less than half their peak value. Investors note overall economic policy as being the strongest deterrent. Interestingly, even though total investment was comparable to EU average before the Greek crisis, this was largely driven by housing. Corporate investment in Greece has been relatively low, even before the 2010 crisis (Figure 3.4). It rose significantly in the run-up to Euro entry, but dropped again during the crisis. Such investment gap risks to create a vicious economic circle leading to a low living of standards steady state. Another challenge relates to the mixed picture in relation to the drivers of the external balance improvement. During the first years of the crisis exports grew in volume but not in value. This picture improved the last 2 years, when Greece has seen positive change in the value and volume of exports with 2018 reaching a new high in both categories. It remains to be seen whether this means that structural reforms bare their yield with some lag.

Figure 3.4: Corporate investment in Greece versus EU peers (% of GDP)



Source: Eurostat, IOBE estimates, Presentation by Nikos Vettas, 20 March 2019

In summary, it seems that in most reform areas, there was some progress, however the opportunity for deep structural regime changes was missed. Indicatively, in the fiscal front, excessive fiscal deficits were transformed into surpluses, but the question is whether the current mix of taxes, expenditures, including pensions, are consistent with medium and long-term growth. Besides, trade deficits were balanced, but that was achieved mainly through import contraction, hence the open question is whether the current balance is sustainable. Furthermore, competitiveness has been to a large extent restored, but that was mainly achieved through a large drop in unit labour costs, while most non-price competitiveness factors hardly improved. Last but not least, Greece has been put back to track of a mild recovery, which is positive, however growth rates remain subdued, the same applies to international confidence vis-à-vis the Greek economy, which negatively affects investments, including foreign investments towards Greece. Hence, Greece needs to stick to reform policies which will accelerate restoration of its reliability.

In terms of **key reform priorities**, Nikos Vettas underlined the urgency for Greek policy makers to focus on a number of areas. Indicatively, he noted that there is need to modernize public administration, including the judicial system, and enhance business environment and innovation, including through monitoring of reforms' implementation and outcomes. Other key reforms include pensions, tackling the shadow economy, and enhance domestic savings and investment, both domestic and foreign. Taxation requires reforms in the direction of easing tax rates and promoting policy visibility, in addition to broadening the tax base including through the roll out of electronic payments. Education sector needs deep reforms in terms of decentralization and production to facilitate employment to help reverse the brain drain.

3.6 Session takeaways

John Papageorgiou, EU Affairs journalist at the Athens Municipal Radio, Head of Athens Digest, chaired the session and moderated the Q&As.

A common theme underlying the session was that Greece lags behind international best practice in terms of business friendly environment and sound regulation. In the context of converging towards best practice, policy makers have an interest to analyze closely international institutions' surveys and other countries' successful reforms. These sources can offer valuable information about Greece's relative competitiveness and can contribute in shaping economic policy priorities. In parallel, the European Commission has developed guidelines for good regulation principles², which cover the phases of planning, impact assessment, implementation and transposition, monitoring, evaluation and stakeholder consultation. In addition, a key element of a business friendly environment is a simple and transparent legal and regulatory framework. In this direction, the European Commission has been developing the Regulatory Fitness and performance programme (REFIT)³, which aims to review the legal framework and decrease unnecessary burdens through simplifying existing legislation. These are policy instruments that Greece needs to urgently adopt in order to increase its levels of productivity and consequently its citizens standards of living. Among the immediate priorities for improving business environment in Greece, there was consensus that there is need to focus on modernizing the public sector, transforming it to an efficient service provider to a productive private sector, rather than a source of ineffective administrative and regulatory burden.

² Available at <https://ec.europa.eu/info/sites/info/files/better-regulation-guidelines.pdf>

³ Available at https://ec.europa.eu/info/law/law-making-process/evaluating-and-improving-existing-laws/refit-making-eu-law-simpler-and-less-costly_en

4. IMPLEMENTING STRUCTURAL REFORMS FOR GROWTH – EC SUPPORT

4.1 *Session's scope*

Session 3 "Implementing structural reforms for growth – EC support" focused on some key growth enhancing reforms implemented with the support of the European Commission through the Structural Reform Support Service. The session was chaired by Ioannis Hadjiyiannis (Head of the SRSS Athens office) where representatives of the Greek public administration and the SRSS, presented some key structural reforms supported by the SRSS.

4.2 *Overview by the Secretary General of Coordination*

Dimitris Papagiannakos, Secretary General for Coordination, represented the Greek Government, and highlighted the significant work that has been done so far, in collaboration with the SRSS, in facilitating the implementation of structural reforms in Greece. Mr Papagiannakos praised the SRSS for the excellent collaboration and underlined that the immense technical support provided by the SRSS to Greece, together with other efforts of the Greek authorities, contributed to the successful completion of the financial assistance programme in August 2018. Besides, Mr Papagiannakos gave an overview of the important reform work of the Greek authorities so far and underlined the importance placed on reform ownership and policy coordination.

4.3 *Independent Authority for Public Revenues*

George Pitsilis, Governor of the Independent Authority for Public Revenue, presented the rationale underpinning the support provided by the SRSS to the reform for the establishment of the Independent Authority for Public Revenue aiming to ensure efficient taxpayer services and voluntary compliance. He further informed of the design and implementation of support provided, stressed the important key results so far and underlined key priorities and challenges for the future. Mr Pitsilis acknowledged the excellent collaboration with the SRSS.

4.4 *Investment licensing reform*

Dionysios Tsagkris, head of Better Regulation Delivery Directorate, General Secretariat for Industry, Ministry for Economy and Development, discussed the principles of the reform on the introduction of the new investment licensing system for businesses aiming to make it easier to set up and run a business in Greece. He also presented the governance of the reform, which is on-going, as well as envisaged next steps, emphasizing the importance to further develop mechanisms for risk assessment and implementation monitoring. He thanked the SRSS and the World Bank for their support and excellent collaboration.

4.5 *Hellenic Development Bank*

Ludovic Seringes, Policy Analyst at the SRSS, highlighted that the European Commission considers that a well-functioning National Development Bank plays an important role in facilitating access to finance, particularly for SMEs, in order to enhance sustainable growth, job creation and investment. He explained that the rationale of the Development Bank is to

provide funding through the commercial banks, while noted that following the completion of the feasibility study, the process now stands at the stage where a draft law is under public consultation. Mr Seringes outlined the nature of the support provided by the SRSS to the establishment of the Hellenic Development bank, to be delivered in two phases, and presented the expected results of the above mentioned reform which primarily aims to enable innovation and success for Greek enterprises.

4.6 Tackling Anti-Corruption

Anastasia Xepapadea, Secretary General against Corruption, presented the reform relating to the implementation of the national anti-corruption action plan aiming to increase integrity, ethics and transparency within the public administration and the judicial system. Ms Xepapadea explained the support provided so far by the SRSS and the Organisation for Economic Co-operation and Development (OECD) and highlighted important legislative, regulatory and awareness raising results. Ms Xepapadea thanked the SRSS for the excellent collaboration and acknowledged the need to continue working together to further enhance anti-corruption efforts.

4.7 Session takeaways

Ioannis Hadjiyiannis, head of the Athens Office of the Structural Reform Support Service (SRSS) of the European Commission, chaired the session. He provided an overview of the numerous projects in which the SRSS has been providing technical support to Greece and explained that the session's objective was to outline some key growth enhancing reforms. He further noted that the SRSS stands ready to continue supporting the authorities in the future.

5. ROUNDTABLE ON REDUCING ADMINISTRATIVE BURDEN

5.1 Roundtable scope

Public administrative reforms play an important role in improving not only the efficiency of civil service, but also enhance the business environment and reinforce the overall economy's competitiveness. The objective of the roundtable was hence two-fold: (a) present international best practice through the e-governance reforms in Estonia and (b) put in perspective in comparison to Greece's current administrative burden challenges as highlighted by representatives of the academic and business community. Hence, the Roundtable aimed to address the following questions:

- To what extent the digitization of public services can effectively reduce the administrative burden incurred by citizens and businesses? The distinguished case of Estonia.
- How can the state be transformed to a facilitator of doing business and a "true" services provider?
- What are the immediate priorities for improving the efficiency of public administration in Greece?
- Why is it important to aim for a de-politicized civil service, how this objective goes hand-in-hand with institution building, continuity of the state, and independent regulatory authorities?
- What are some mechanisms that increase transparency and accountability within the public sector?

5.2 Best practices: the case of the Republic of Estonia

Janek Mäggi, Minister of Public Administration of the Republic of Estonia, provided an overview of reforms that took place in Estonia during the past couple of decades in the area of electronic governance. The series of reforms transformed Estonia into pioneering in several aspects of digital civil service, namely in adopting and widely using the digital identity, the once-only-principle, as well as making digital communication the default option of Estonian citizens' communicating with the public sector. The principles of e-government reforms successfully implemented in Estonia can be grouped around three axes:

- (1) The Once-Only Principle.** Data is collected only once by one specific institution, hence there is no duplicate data or bureaucracy, which avoids filing the same data for different public institutions several times. The Once-only-principle stems from different legal acts and regulations.⁴ As background information, the Once-Only Principle (TOOP) project is part of the EU eGovernment Action Plan 2016-2020 aimed at increasing the efficiency of the Digital Single Market. The project will reduce burdens for European businesses, which are currently asked to present the same data

⁴ In the context of the Estonian legal framework, for example, Public Information Act prohibits establishing separate databases for collecting the same data. Economic Activities Code Act prohibits requiring information from citizens and businesses twice; Managing Services and Governing Information government regulation prohibits to request the resubmission of data that is already in any database belonging to the state information system.

repeatedly, by requiring business to provide documents only once to public administrations, regardless of the company's country of origin. TOOP will promote cross-border cooperation among authorities, increase transparency, and create cross border business operation opportunities. Member States are projected to fully integrate the 21 online procedures with the OOP Technical System by 2023, upon which Cross-border OOP will become a reality.

- (2) **Digital by default** – Practically all public services in Estonia (99%) are also available to citizens and businesses in digital format.
- (3) **Open internet** - infrastructure works as an open source, there is no central database. Any institution can use the infrastructure, whether it is a government department, a ministry or a business. In parallel, all the elements in the system are able to exchange data securely and work smoothly together via the “X-road exchange layer”.

The Minister of Estonia further explained three cornerstones for the successful implementation of e-government reforms:

- 1) **Legislative basis.** e-Governance does not entail a comprehensive system of specialised legislation. Estonia does not have specific e-governance legislation, but basis for e-government, were included in already existing legislation. Same legal status to both digital and handwritten signatures and the requirement for all public institutions to accept digitally signed documents was enforced with the Digital Signatures Act.
- 2) **Highly secure interoperability.** The “X-Road” is the framework that interconnects public and private registries and databases. This is a unique aspect of e-Estonia in that it lacks a centralized or master database – all information is held in a shared data system and can be exchanged instantly upon request, allowing access on a 24/7 basis. Every institution manages its own processes and government institutions can decide independently which platforms and technologies they use over the X-Road.
- 3) **Electronic ID.** It enables citizens to use convenient, safe and fast e-services. It is used mainly to identify oneself electronically through digital signatures. Nearly every Estonian citizens has an e-ID card, which is a mandatory national card with a chip that functions as definitive proof of the ID in an electronic environment and can be used for secure digital signatures.

The Minister of Estonia noted some indicative quantified examples in order to provide an idea of the significance of Estonian reforms. He argued that the aforementioned reforms yielded benefits equivalent to saving 1,407 years of working time annually, while digital signature alone provided savings close to 2% of GDP. Besides, he noted that 99% of state services are also available digitally, on a 24/7 basis, while the cumulative number of recorded digital signatures exceeds 500 million.

In the context of policy recommendations, following the example of Estonia, Greece could aim to use a single personal electronic ID for all public (and private) services and for the different public databases, such as tax office, business registry, or private banks. Further, Greece could accelerate the implementation of the Once-Only and digital-by-default principles, aiming to

develop a paper-free public sector, which is convenient for citizens and business, and is also environmentally friendly.

5.3 Contributions to Roundtable

Costas Kapsouropoulos, Policy Officer at the Directorate General Communications Networks, Content and Technology of the European Commission, presented on-going work by the European Commission in promoting e-governance across member states, while depicted the relative under-performance of Greece in the specific area.

In relation to EU peers, Greece widely under-performs in the field of digital public services, as reflected through the European Digital Economy and Society Index (DESI) rankings (Figure 5.1).

Among the policy priorities of the respective DG, Costas Kapsouropoulos highlighted:

- Capturing the value of digital technologies for more open, participatory and innovative governments
- Using technology to improve government accountability, social inclusiveness and partnerships
- Creating a data-driven culture in the public sector
- Ensuring coherent use of digital technologies across policy areas and levels of government
- Assessing existing assets to guide procurement of digital technologies
- Reviewing legal and regulatory frameworks to allow digital opportunities to be seized

Figure 5.1: Digital Public Services in Greece versus the EU

5 Digital Public Services	Greece		Cluster	EU
	rank	score	score	score
DESI 2018	28	39.2	48.0	57.5
DESI 2017	27	35.0	44.2	53.7

	Greece				EU DESI 2018 value
	DESI 2018		DESI 2017		
	Value	rank	value	rank	
5a1 eGovernment Users⁹ <small>% internet users needing to submit forms</small>	38% 2017	↓ 26	42% 2016	24	58% 2017
5a2 Pre-filled Forms <small>Score (0 to 100)</small>	14 2017	↑ 27	5 2016	28	53 2017
5a3 Online Service Completion <small>Score (0 to 100)</small>	75 2017	↑ 24	63 2016	25	84 2017
5a4 Digital Public Services for Businesses <small>Score (0 to 100) - including domestic and cross-border</small>	60 2017	↑ 27	59 2016	26	83 2017
5a5 Open Data <small>% of maximum score</small>	72% 2017	↓ 16	73% 2016	10	73% 2017
5b1 eHealth Services <small>% individuals</small>	10% 2017	23	NA		18% 2017

Source: European Commission DG Connect, Presentation by Costas Capsouropoulos, 20 March 2019

The European eGovernment Action Plan 2016-2020 seeks to remove existing digital barriers to reduce administrative burdens and improve the efficiency and quality of interactions with government. Its top priorities include modernizing public administrations with digital enablers, enhancing mobility of citizens and businesses through improved cross-border digital interaction, and improving public services for easier digital interaction between administrations and citizens/businesses. This builds on the previous eGovernment Action Plan by extending tangible benefits to citizens' quality of life and companies' productivity.

Electronic identification presents another area of digital single market integration. eID helps guarantee data protection and improves efficiency with unambiguous identification of a person. A Cooperation Network has been implemented as a site of cooperation between Member States to achieve interoperability and security of eID. This will help move towards a single digital identity, which will one day enable EU citizens to use eID at a national level to access public services in other Member States. The implementation of eIDAS regulation faces two main types of challenges:

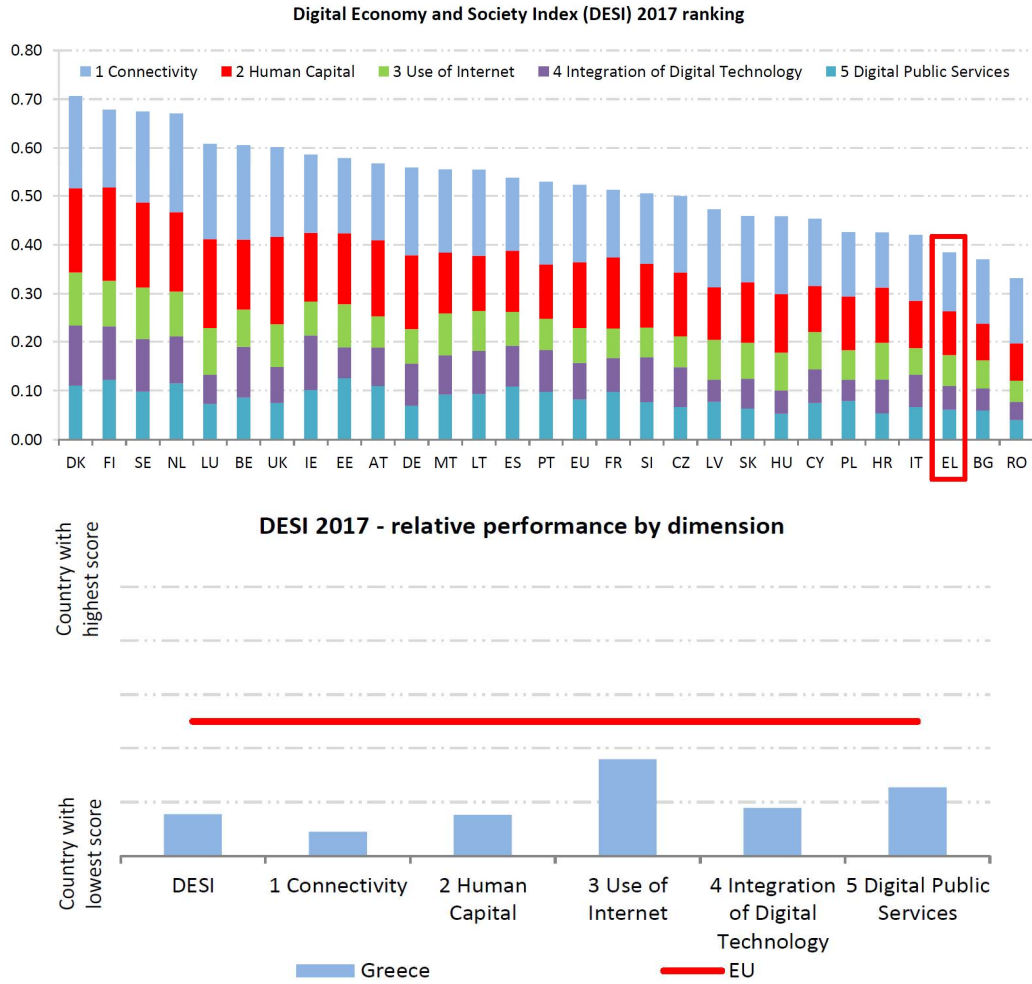
- Lack of trust, in particular because of a perceived lack of legal certainty, makes consumers, businesses and public authorities hesitant to carry out transactions electronically or to adopt new services. eID and trust services provide a common foundation for secure electronic interaction.
- Obstacles to the virtuous cycle of the digital economy identified by the Digital Agenda for Europe, encountered mainly due to fragmentation, lack of interoperability, and rise in cybercrime

Diomidis Spinellis, professor at the Athens University of Economics and Business, former Secretary General of General Secretariat for Information Systems (GSIS), discussed about challenges faced by the Greek public administration and key policy priorities. In relation to the desired principles and policy direction, he highlighted the need to increase the cooperation of business with citizens, the benefits to empower public employees to handle cases, better target e-audits through data collection and analysis, and foster innovation in products and services provided by the government.

He showed cross country data comparing European Digital Economy and Society Index (DESI) and its components, whereby Greece third from last across EU peers (Figure 5.2). Besides, Greece significantly performs below EU average in all DESI sub-components, and particularly in relation to connectivity, human capital and integration of digital technology. This rises significant opportunity costs with economic implications. Consequently, Greece has an urgent need to promote digital services across various action areas, including economic, fiscal and financial operations, the judicial system, health care, tourism and culture, and public sector governance. Developing qualitative digital services can transform the government along the following dimensions:

- Provide higher quality and value services
- Ensure more effective use of resources
- Reform civil administration
- Reduce corruption and mismanagement
- Promote transparency and trust in government
- Increase citizen participation

Figure 5.2: Digital Economy and Society Index: Greece versus EU peers



Source: European commission, Presentation by Diomidis Spinellis, 20 March 2019

Diomidis Spinellis outlined a number of e-governance related structural reforms of high priority for Greece, as follows:

- Document and reengineer processes
- Adopt New Public Management principles
- Establish transparency and trust
- Simplify legislation
- Improve personal data protection processes
- Increase the cooperation between lawmakers and IT staff
- Make systematic use of KPIs and feedback

For these to be accomplished, he provided with specific examples that need to be used as implementation principles:

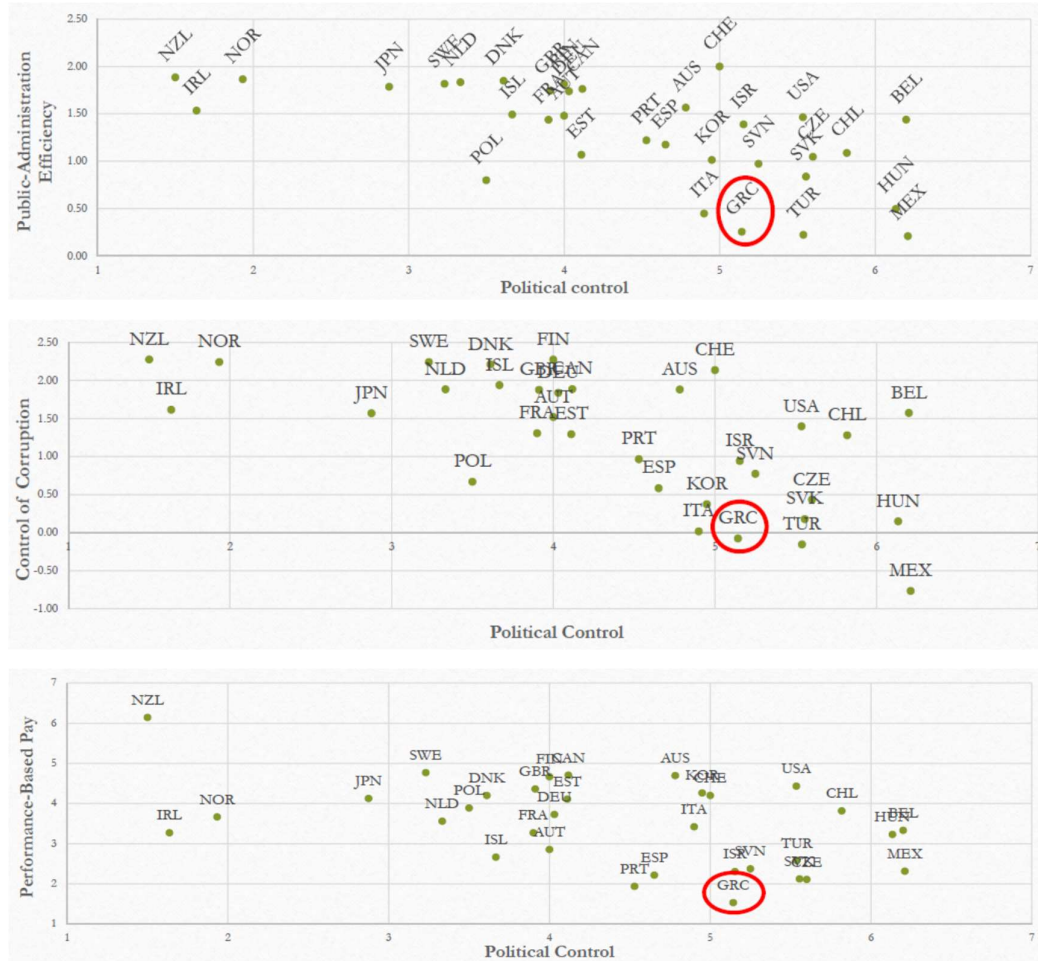
- Once-only principle for providing data to the government
- Inclusive by default, Digital by default, Cross-border by default, Interoperability by default
- Openness/ transparency by default
- User-friendly, easy to use templates

Dimitri Vayanos, professor at the London School of Economics, and Director of the Financial Markets Group Research Centre, focused his discussion around the importance of de-politicizing public governance. Among the main findings of his presentation, he provided evidence that, while public servants tenure/permanency and efficiency are not correlated, there seems to be strong negative correlation between political control and the following three features of the public sector (Figure 5.3):

- Public administration's efficiency
- The ability to control for corruption
- Public administration's reform capacity

As a conclusion, he argued that Greece needs to prioritize in the de-politicization of the public sector and in strengthening its independence, by introducing ring-fencing mechanisms, checks and balances, and by minimizing the channels of political control.

Figure 5.3: Political control impact on government efficiency indicators across OECD member states



Source: Presentation by Dimitri Vayanos, 20 March 2019

Note on variable definitions and sources: Political control: Quality of Government indicators, University of Gothenburg 2015 ("the top political leadership hires and fires senior public officials"). Public Administration efficiency and Control of corruption: Governance Indicators World Bank 2015 (Government Effectiveness Index). Performance-based pay: Quality of Government indicators, University of Gothenburg 2015 ("the salaries of public-sector employees are linked to appraisals about their performance").

In this context, Dimitri Vayanos listed some policy recommendations for building a more independent public administration, as follows:

- Keep the current system of appointing general secretaries but improve its weak parts
- Move powers to ASEP. Draft job descriptions, not rubber stamp them.
- Eventually, appointments should rely on more input from within the (independent) public administration.
- Legislate that senior civil servants should not be involved in politics.
- Legislate a sharp reduction of detachments and political appointees.

Kyriakos Pierrakakis, Director of Research at diaNEOsis, highlighted the need to modernize Greece's public administration, in order to increase its efficiency, by making it simpler, more digitalized, transparent and business friendly. He noted a few examples showing how the current structure of civil service is complex and highly inefficient, while it suffers from overlapping competencies which reduce accountability. He referred to the fact that the public administration has scattered entities on digitalization in each ministry, as well as to the structure of the current Cabinet of Ministers which includes both a Ministry of Digital Policy and a distinct Ministry of Administrative reform and e-Governance. He urged for a change in philosophy, and noted that there is plenty of potential and feasibility for positive changes, noting two big successes during the past years, the creation of the public documents' "transparency platform" (diavgia) and the set up of one-stop-shops for citizens (KEPs), both of which reforms did not cost too much to the public budget.

Elias Kikilias, General Manager at the Institute of the Confederation of Greek Tourism (Institute SETE - INSETE) and Research Director at the National Centre for Social Research of Greece, represented the business community and highlighted a series of fronts where administrative burden continues to be excessive in Greece. In relation to barriers for investments, he noted the delays in licensing reforms, in setting up the cadaster, the lack of clarity on land use and land permits, as well as the excessive reporting requirements in relation to working hours. In relation to the regulatory framework, he insisted on the issue of lack of clarity and reduced visibility from the point of view of the investors community, mentioning the example of land use, and that there is not a single digital map to show where economic activities can take place, or to what extent and under which criteria. Instead, he noted that there are different "maps" (forest maps, Archeological maps, NATURA lands, etc.). These problems can delay or even deter investment projects outside brownfield sites, especially in the tourism sector in which he has wider exposure due to his institutional capacity.

5.4 Roundtable takeaways

Eirini Chrysolora is a journalist for the daily newspaper "Kathimerini", covering economic affairs, and the chair of the session, summed up the discussion. It seemed that, while some digitalization steps have been made (including an electronic business registry GEMI for all commercial enterprises, implement e-filing and e-payment process in relation to the tax authorities, develop the ERMIS platform, free on-line access to the Government Gazette), Greece lags considerably its EU peers in relation to e-governance practices within the public administration. In this direction, there was consensus that Greece would considerably

improve its digital services scoring if it prioritized the implementation of the once-only-principle, the digital by default principle, and the electronic ID. Any strategy for e-Government policy could be evaluated periodically in order to remain relevant to the needs of the administration and the public.

6. ROUNDTABLE ON CREATING A REGULATORY ENVIRONMENT FOSTERING INNOVATION

6.1 Roundtable scope

As a background, the European Commission publishes every year a ranking of EU member states according to several features of innovation. According to the **2018 European Innovation Scoreboard**, Greece remained in the third group of moderate innovators, with performance only between 50% and 90% of the EU average (European Commission, European Innovation Scoreboard, 2018). Performance in Greece was higher in 2017 compared to 2016 but was slightly lower than performance in 2010. The exercise covers a series of innovation dimensions, such as human resources, attractive research systems, innovation-friendly environment, finance and support, and firm investments. Greece under-performed in all dimensions, while it received among the lowest scores across peers in innovation-friendly environment and finance and support.

Given the importance of innovation in boosting a country's productivity and enhancing its long-term growth prospects, it is clear that Greece needs to improve its regulatory environment in a manner that will foster innovation. The objective of the roundtable was hence two-fold: (a) present international best practice through the innovation oriented regulatory framework set up in the Netherlands and (b) put Greece current challenges in perspective and exchange ideas on policy recommendations highlighted by representatives of the academic and business community. In this context, the Roundtable addressed a number of issues:

- How can EU best-practices in better regulation create an innovation-friendly business environment and overcome the curse of over-regulation?
- What could be the business model of the future for innovative Greek companies? How can such a business model be strengthened?
- Which are the potential growth sectors for Greece? How can a strategy be devised to improve the framework conditions for these industries?
- How can Greece overcome its institutional weaknesses and focus on its innovation strengths?
- How can the funding gap for innovative businesses be overcome? What more needs to be done?

6.2 Best practices: The case of the Netherlands

Saskia van den Brink, member of the management team of the Directorate of Top Sectors and Industrial Policy at the Ministry of Economic Affairs and Climate in the Netherlands, exposed her country's experience in implementing policy measures which foster innovation and digital governance. Within her Directorate, she is responsible for the policy on sustainability and circular economy, and for the industrial sectors Agri-Food and Life Sciences & Health. The Dutch administration selects and prioritizes sectors based on their R&D potential, their productivity and their tradability. As background, the Netherlands continue to outperform in e-governance and innovation as they have been formulating policies since the mid-1990s with the goal of reducing administrative burdens for citizens and businesses. A central portal for businesses, public administration, and citizens to access information and

services is widely used, as is a standard electronic communication language for data preparation, analysis, and communication.

Saskia van den Brink presented some examples and principles of how the Dutch administration proceeds with “smart” and “innovation-oriented” regulation. This is a constant “race” on behalf of policy makers and public administration aiming to improve and adapt regulation according to technology improvements. Indicatively, the Dutch government designs and updates business regulation with an aim to:

- Remove legal barriers for frontrunners
- Anticipate on innovative developments when making new legislation
- Avoid an over-prescriptive and innovation-unfriendly command-and-control approach to regulation with too much specification of details
- Accommodate the need to “think small first” looking at the impact of regulations on small innovative business in association with an SME panel
- Collect views on how to develop more technologically-neutral and innovation-friendly regulation and run pilots through “living lab” experiments
- Quantify administrative burden stemming from current business practice and evaluate the potential scope for using an “innovation principle” in regulations by assessing potential benefits and risks.

These elements consist of the Dutch experience in creating a business and regulatory environment that is investment- and innovation-friendly. In parallel, the Netherlands exhibit pioneering features in investment licensing processes too: strong collaboration exists due to the framework for sharing the Better Regulation agenda with local levels of government. Municipalities have licensing and planning responsibilities, while the central government has an agreement with the municipalities to implement the Better Regulation Action Plan.

6.3 Stakeholders' views

Alexander Kritikos, Research Director for Entrepreneurship Research at the German Institute for Economic Research (DIW Berlin), presented some stylized facts on the Greek economy from a research and innovation perspective, while outlined policy priorities that could exploit Greece's innovation strengths (Kritikos, Handrich, & Mattes, 2018). From a macro perspective, it was of interest to note that total economy GVA has dropped cumulatively by 40 pct during the crisis, considerably more than GDP itself. The drop varies significantly across firm size, since medium and large companies suffered a loss by circa 20 pct, while small and micro firms lost 40 and 60 pct of their pre-crisis GVA respectively. Nonetheless, some sectors resisted and grew, such as pharma, food, and IT services. But even if the share of innovative companies and employees in high growth firms has increased, the share of research intensive industries and knowledge intensive services in Greece has been around 25% during 2008-2017, persistently lagging behind the respective EU average share which exceeded 30% during the same period.

Greece appears under-prepared in relation to the challenges of digitalization, as reflected through the DESI indicators, including digital public services, and the European Innovation Scoreboard (Table 6.1). It lags its peers in relation to global innovation index, but also in the sub-indices of innovation efficiency, input and output. It also records among the lowest public and private R&D expenditures as a share of GDP (Table 6.1).

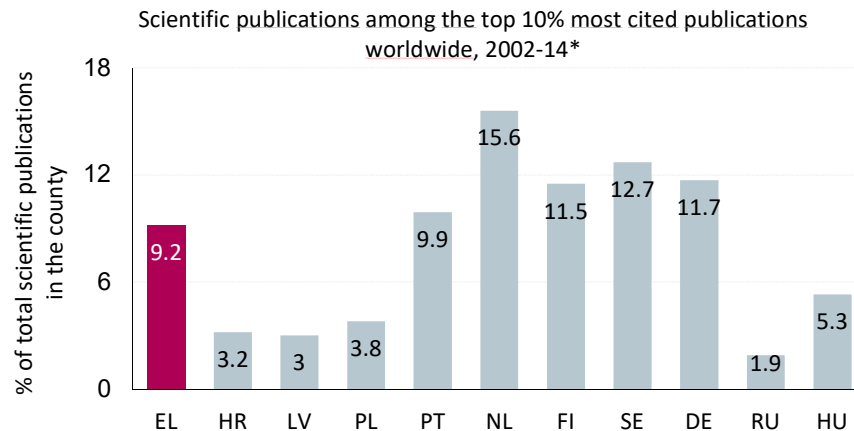
Table 6.1: Greece Innovation Score compared to EU peers

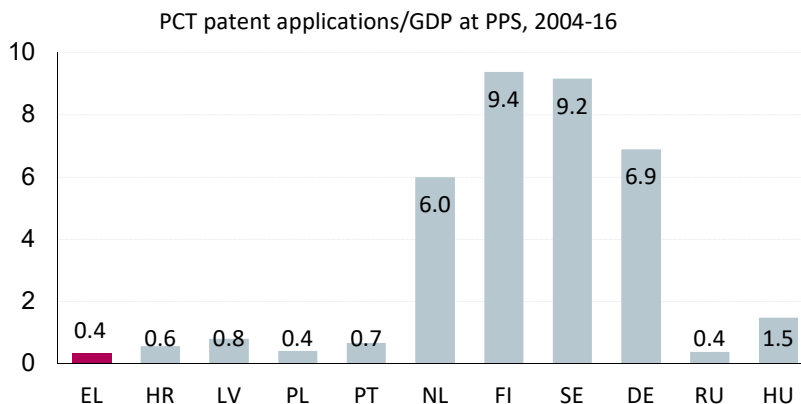
	European Innovation Scoreboard	Global Innovation Index 2018				R&D expenditure (Eurostat)	
	Compared to EU average (=100)	Overall ranking	Innovation Efficiency Ratio	Innovation Input Sub-index	Innovation Output Sub-index	Total R&D expenditure, % of GDP 2017	Private sector R&D expenditure, % of GDP 2017
Germany	119.6	9	9	17	5	3.02	2.09
France	109.2	16	32	16	16	2.25	1.43
Portugal	80.5	32	34	32	33	1.32	0.67
Spain	79.3	28	36	23	27	1.2	0.66
Cyprus	76.5	29	18	33	22	0.56	0.2
Italy	73.6	31	35	29	32	1.35	0.83
Greece	65	42	74	40	52	1.13	0.55

Source: Eurostat, European Commission, Presentation by Alexander Kritikos, 20 March 2019

In relation to the key impediments for a more innovation-friendly growth model, Alexander Kritikos highlighted the inefficient public administration and judicial system, the excessive red tape and regulation, the non-predictable tax system (which not only did not improve during the crisis but worsened due to the higher tax burden) and the tight financial conditions due to the high stock of NPLs. These factors all lead to a poorly functioning innovation system, which requires policy interventions. Most administrative problems are the same with pre-crisis period (legal system, red tape, unpredictable tax system, innovation, lack of credit), with the exception of labor market.

At the same time, Figure 6.1 reveals that even though scientific work by the academic community in Greece is among the highest in the EU, patents are among the lowest in the EU. This reflects the gap between academic innovation and business innovation in Greece. Kritikos concluded that there is significant potential for Greece to foster innovation, but this will require political and social consensus between major parties and stakeholders.

Figure 6.1: Gap between academic innovation and business innovation in Greece, 2018



Source: Innovation Union scoreboard, Presentation by Alexander Kritikos, 20 March 2019

Aristos Doxiadis, a Venture Capital professional and founder of Big Pi, said that excessive regulation was a crucial barrier for Greek business. It was important to ensure that improvements made to the business environment were implemented, rigorously enforced, and not rolled back. Whilst improvements had been made to the GEMI business registry, excessive information requirements still stood in the way of business regulation. Moreover, regulatory problems were not the exclusive monopoly of the public sector: lawyers in the banking system also required excessive certification of business information for the purposes of loans. Taxation was another challenge for Greek businesses: marginal combined tax and social security rates had risen to the highest in Europe. Moreover instabilities in the tax system had increased risks for investment and poorly designed taxes often resulted in unexpected additional administrative burdens (e.g. the wine tax).

In his view, Greek businesses had a comparative advantage in a limited number of areas, notably in human capital as well as in some specific niche sectors, mostly human capital intensive ones (due to higher mobility, low sunk costs, and lower risk from political instability). The development of the IT sector was a good example of the comparative advantage in human capital at work. IT growth required only limited up-front investment and allowed phased and incremental business growth. The industry was also sufficiently foot-loose to escape over-regulation. Numerous IT start-ups had successfully grown up to become small- and medium-scale businesses. Greece also had demonstrated comparative advantage in some agricultural sectors, notably those related to the Mediterranean products. An example was the wine industry, in which some 30 firms had successfully reached medium-size status with 800 or so much smaller producers.

A bottom-up approach is needed to help stimulate sectoral growth opportunities. The biggest opportunities arose from stimulating university-business technology transfer and start-ups linked to universities. Successful university spin-offs were pioneered in the Aristotelian university in Thessaloniki and in Crete. The key problem to overcome to accelerate progress was the funding gap. In particular, it was necessary to encourage international investors. Some such investors had already entered e.g. in the buy-out of Taxibeat.

Marcos Veremis, Co-founder & executive Chairman of UPSTREAM SA, shared some of his experience from the technology sector and its potential in Greece. He noted that European

firms often lag behind US and Asian firms in relation to technology leadership. Nevertheless, he argued that there is significant potential for technology-based industries in Greece. The source of this potential reflects the very high share of STEM graduates for which Greece ranks 5th globally, the significant scale of high-quality Greek academic research activity, and partly the over-education of Greek young generations. Thus whilst physical capital is scarce and the Greek business environment remains over-regulated, human capital remains a great strength of the Greek economy even taking account of the brain drain effect.

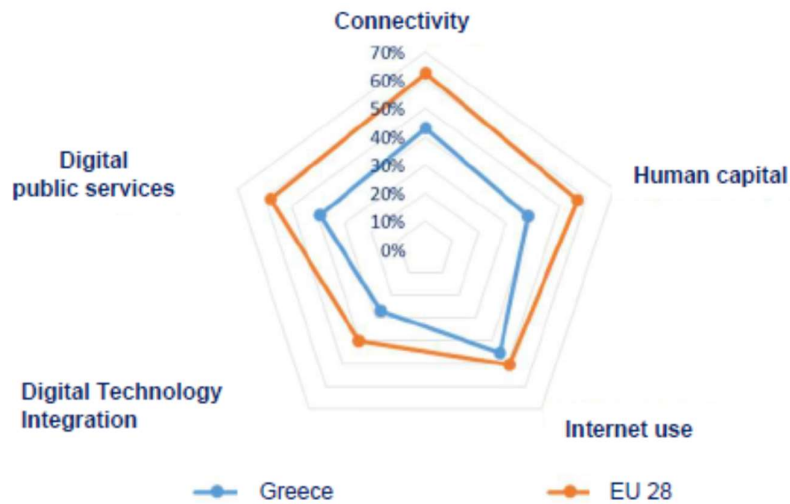
In particular, Marcos Veremis highlighted the success of Greek high technology-based firms: in 2017, such businesses had a turnover of some €1.5 billion and employed around 4500 people. Limited EU support of €60-70 million through the Open Fund had provided crucial start-up funding that enabled the growth of TaxiBeat and Workable. The availability of Equifunds of €300 million could further stimulate the high technology sector with a goal of €5 billion turnover and 50,000 jobs. EU regulation could also play a role in helping develop such enterprises: examples included developing regulatory specifications such as bluetooth and a regulatory framework for driverless cars. In addition to the high tech sector, there were a number of other sectors with significant potential and for which venture capitalism could develop complementary to bank financing instruments, such as tourism, shipping, energy, agriculture and pharmaceuticals.

George Xirogiannis, Director for Industry, Growth & Infrastructure at SEV Hellenic Federation of Enterprises, presented the viewpoint of the industrial sector in relation to policy priorities for Greece. He highlighted a number of significant challenges for Greece's economic recovery:

- Greece lags significantly behind its EU peers in relation to digital competitiveness (Figure 6.2)
- Greece exhibits a comparative disadvantage vis-avis its EU peers, in relation to tax competitiveness (Figure 6.3)
- There appears to be limited reform appetite and "reform fatigue"
- There is hardly any strategy for Industry 4 Initiatives

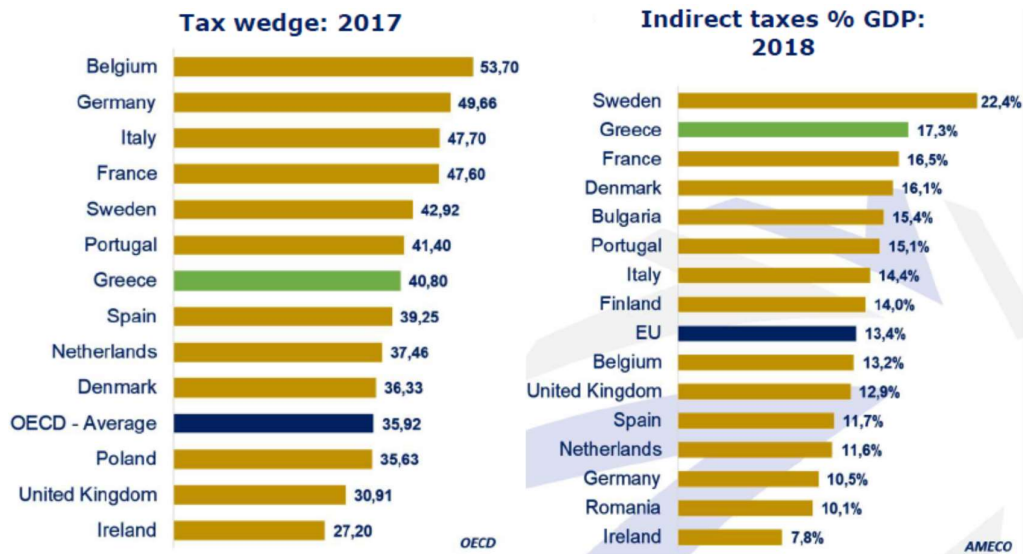
In order to overcome these challenges, George Xirogiannis proposed the need to foster an innovation friendly business environment that he called Industry 4.0. He highlighted it was crucial to develop innovation partnerships and develop digital technologies and skills, as well as pursue more conventional reform priorities such as reducing administrative burden, modernizing judicial administration, simplifying licensing procedures and offering tax incentives, or at least tax stability and transparency. These are prerequisites in order for Greece to attract back a share of its highly skilled young professionals who emigrated abroad and launch the brain drain reversal.

Figure 6.2: Gap between Greece and EU average across DESI sub-indices, 2018



Source: DESI, Presentation by George Xirogiannis, 20 March 2019

Figure 6.3: Tax competitiveness indicators comparing Greece with EU peers



Source: OECD, Ameco, Presentation by George Xirogiannis, 20 March 2019

6.4 Roundtable takeaways

Chris Allen, Resident Adviser for DG ECFIN and the chair of the session, tried to sum up the discussion. He said that there was a clear consensus that human capital was one of the key components of the comparative advantage of Greece. There was also a strong consensus on what were the barriers to successful growth and development: red tape and excessive legalism in both public and private sectors, and a poorly designed taxation system with excessively high tax rates. Various bottom-up strategies had been described to stimulate growth and investment: facilitating technology transfer, providing intelligent start-up funding, developing appropriate standards, and deploying elements of an Industry 4.0 strategy as used

in a number of other Member States such as promoting innovation hubs, improving skills, and providing appropriate investment incentives. The high-tech, software, and engineering industries – a €1.5 billion sector - could provide an important catalyst for economic growth, with potentially substantial multiplier effects on mainstream industries such as tourism, shipping, pharmaceuticals, energy, and agro-food.

7. CONCLUSIONS AND POLICY RECOMMENDATIONS

7.1 Farewell address by ECFIN

Paul Kutos, Head of Unit and Deputy Mission Chief for Greece at the European Commission's Directorate General for Economic and Financial Affairs

Paul Kutos referred to the progress achieved by Greece in the post-programme period in overcoming its flow imbalances and in setting the economy on a stronger footing. However, he stressed that there is no room for complacency as the legacy of stock imbalances remains excessively high, weighing on growth and posing risks ahead. As he pointed out, years of sustained growth will be required to address these imbalances, which in turn underscores the importance of maintaining the reform momentum.

Mr. Kutos also highlighted that the post-programme economic surveillance and co-operation framework, which has been tailored to Greece's specific needs and challenges, helps to reinforce credibility, as well as paving the way for the release of policy-contingent debt measures. Equally important, Greece's participation in the European Semester provides an opportunity to take a broad-based look at Greece's economic environment and the medium-term challenges ahead.

Further, Paul Kutos summarised the conference's main takeaways, also providing some reflections for the shaping of policies in the future. Overall, various speakers acknowledged progress achieved in some areas, but at the same time that significant challenges remain ahead. One common underlying theme was the current investment gap in the Greek economy and the need to address this so as to improve growth prospects in Greece. Among the policy priorities, there was broad consensus on the need to attract investments in sectors such as transport, logistics, urban regeneration, ICT, high tech, and energy, including from abroad. Developing an export-led growth model, and addressing the issue of connectivity as an enabler of export strategies was also emphasised. Moreover, strengthening the business environment by fostering the conditions for companies to grow, invest and innovate, emerged as a key challenge from the discussion. Specifically, as he stated, businesses in Greece have been traditionally faced with a high administrative burden, which is still seen as an important obstacle.

Price competitiveness improved during the financial assistance programmes, however non-price competitiveness continues to lag behind most other EU peers. Greece continues to significantly under-perform in areas such as electronic governance, efficiency of public administration, red tape, soundness of regulation and innovation. In this context, technical support provided by experts from multilateral institutions and international stakeholders, including the SRSS, but also the study of international good practices, including examples presented during the workshop, is crucial in order to promote the technical capacity of Greek public administration and accelerate knowledge transfer.

The Greek authorities are in the driving seat in terms of shaping policy, and it would be advisable to continue taking a proactive stance on this, in close dialogue with the Commission

services and with the engagement of the private sector. Hence, there is vital need to take ownership of reforms, show strong political will, and apply policies that boost growth prospects in the medium and long-term, not just the short-term horizon or the current electoral cycle. Several areas of opportunity are identified and Greece could adopt a strategic approach to reach its full potential in terms of creating a growth-led model. Furthermore, he concluded that the conference was very successful, both in terms of the interest it attracted, and the quality of the speakers' interventions. As he pointed out, a series of policy recommendations and priorities emerged through the dialogue that can be of interest for implementation by Greek policy makers.

7.2 Conference takeaways and policy priorities

The conference concluded amid highly positive feedback by participants, who exceeded in number 270 persons, representing the academic, diplomatic, multilateral institutions, policy making and business community. The **conference** achieved at least four **objectives**:

- It raised awareness about the European Semester, the role of Greece in the post-memoranda era, as well as the role of the Structural Reform Support Service in providing technical support to several growth enhancing reforms, such as the independent authority for public revenues, the investment licensing reform, the anti-corruption strategy and the Hellenic Development Bank.
- It provided insights about international and EU best practices and policies in relation to improving the business environment, inter alia aiming to boost competitiveness, reduce administrative burden, and foster innovation
- It presented some stylized economic facts about Greece, areas where significant reform progress has been made, how it compares with other EU peers, and areas where significant challenges remain that consist of downside risks for its medium and long-term sustainable recovery
- It launched the public discussion about policy recommendations and priorities that Greek policy makers need to consider in order for the country to transform the recent crisis into an opportunity, particularly in the areas of the regulatory framework and business environment and in order for the economic recovery to be long-lived and sustainable.

Overall, it seems that progress has been made in various fronts in Greece during the crisis, including restoring its fiscal and external balance, but also implementing various structural reforms (in the fronts of labour market, fiscal structural, product markets). However, Greece still underperforms compared to its peers in areas related to non-price competitiveness, business environment, regulatory framework, high degree of administrative burden, low degree of digitalization and weak links between academia and business innovation. Among the **policy priorities** that came up during the conference interventions, one may highlight a few as follows⁵:

- Greece has an interest to focus on timely implementing all the reform commitments agreed with European partners and the international community in the areas of fiscal,

⁵ The takeaways on policy priorities express the opinion of researchers of IOBE and do not necessarily reflect the opinion of the European Commission.

fiscal structural, social welfare, financial stability, labour and product markets, privatization and public administration, as presented in the first session. This can be achieved only if the local political, social and business communities apprehend how substantially these policy interventions can enhance the country's growth prospects and support their sustained implementation. The role of communication policy and implementation coordination is hence key.

- In view of the large investment gap cumulating over the past decade, there is a need but also a strong potential for Greece to attract both domestic and foreign investments through targeted reforms covering sectors where Greece exhibits a comparative advantage, such as agro-food, tourism, health, ICT, high tech, transport and logistics, education. Various bottom-up strategies have been proposed to stimulate investment: facilitating technology transfer, providing intelligent start-up funding, and promoting innovation hubs, through appropriate investment incentives. These can be assisted by improving the regulatory framework for infrastructure including network industries, R&D, innovation/connectivity, and education/skills.
- In line with international good practice, Greece needs to prioritize the modernization of its public administration with a clear separation between executive and legislative branches, as well as the independence and efficiency of its regulatory authorities. In parallel, policy makers can prioritise the modernization of the judicial system so that it remains independent and becomes more efficient.
- Greece can develop systematic mechanisms to benchmark, monitor and evaluate reform policies with an aim to periodically proceed with improvements to converge with EU best practices. Reform efforts may target the most significant remaining barriers to sustainable growth, including unnecessary administrative burdens and controls at both local and central level, excessive legalism in both public and private sectors, a poorly designed taxation system with excessively high tax rates, and a slow and inefficient judicial system.
- Accelerating e-governance reforms, including the adoption of once-only-principle, the digital-only principle and electronic ID, can substantially reduce administrative costs, create fiscal savings, offer synergies that increase both public and private sector's productivity and thus significantly enhance medium and long-term economic growth prospects.
- All in all, after ten years of crisis there is no room for complacency and it is high time that the Greek political and social system reach a consensus on a broad package of reform objectives. Working systematically towards achieving these objectives will allow the country to grow faster and more sustainably in the medium and long-term horizon, which in turn will improve the citizens' standard of living.

8. REFERENCES

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9. ANNEX A – LIST OF SOURCES

(1) Links to conference presentations:

http://www.iobe.gr/press_dtl.asp?EID=128

https://ec.europa.eu/info/events/integrating-greece-european-semester-policy-framework-2019-mar-20_en

(2) 2019 European Semester Country Report for Greece:

https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-greece_en.pdf

(3) Enhanced Surveillance Framework for Greece:

https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-financial-assistance/which-eu-countries-have-received-assistance/financial-assistance-greece_en

(4) European Commission Better Regulation Agenda:

<https://ec.europa.eu/info/law/law-making-process/planning-and-proposing-law/better-regulation-why-and-how>

(5) European Commission Better Regulation Guidelines:

<https://ec.europa.eu/info/sites/info/files/better-regulation-guidelines.pdf>

(6) The Once-Only Principle Project:

<https://ec.europa.eu/digital-single-market/en/news/once-only-principle-toop-project-launched-january-2017>

(7) European e-Government Action Plan:

<https://ec.europa.eu/digital-single-market/en/european-egovernment-action-plan-2016-2020>

(8) European Innovation Scoreboard:

https://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards_en

(9) World Bank Doing Business report 2019:

<http://www.doingbusiness.org/en/reports/global-reports/doing-business-2019>

(10) IMD World Competitiveness report 2018:

<https://www.imd.org/wcc/world-competitiveness-center-rankings/world-competitiveness-ranking-2018/>

10. ANNEX B – CONFERENCE PROGRAM

Integrating Greece into the European Semester Policy Framework:

Priorities for sustainable growth and competitiveness

Wednesday, 20 March 2019

Acropolis Museum, Athens

09:00 Registration

09:30 Welcome: George Markopouliotis, Head of the European Commission Representation in Athens

09:35 Introduction: Maarten Verwey, Director General, Structural Reform Support Service (SRSS), European Commission

09.45 Session 1: Greece in the European Policy Framework

European Semester Country Report for Greece, Declan Costello, Mission Chief for Greece, Directorate General for Economic and Financial Affairs (DG ECFIN) and Barbara Kauffmann, Director, Directorate General for Employment, Social Affairs and Inclusion (DG EMPL), European Commission

Q&A session

Moderator: Nikos Vettas, Director General IOBE, professor AUEB

10:45 Coffee break

11:00 Session 2: Benchmarking business environment & regulation

World Bank Doing Business Survey, Maria Magdalena Chiquier, World Bank, Private Sector Development Specialist

IMD World Competitiveness Rankings, Christos Cabolis, IMD WCC Chief Economist

Good practice from Portugal, Ricardo Pinheiro Alves, Ministry of the Economy, Portugal

Crisis, reforms and growth prospects, Nikos Vettas, Director General IOBE, professor AUEB

Moderator: John Papageorgiou, EU Affairs, Athens Municipal Radio, Head of Athens Digest

12:15 Session 3: Implementing structural reforms for growth – EC support

Dimitris Papagiannakos, Secretary General for Coordination

George Pitsilis, Governor of Independent Authority for Public Revenue

Dionisios Tsagkris, Head of Directorate on Better Regulatory Framework, Ministry of Economy and Development - Investment licensing

Ludovic Seringes SRSS - Hellenic Development Bank

Anastasia Xepapadea, Secretary General for Anti-corruption -Tackling Anti-Corruption

Moderator: Yiannis Hadjiyiannis, Head of the Athens office, Structural Reform Support Service (SRSS), European Commission

13:30 Lunch break

14:30 Roundtable 1: Reducing administrative burden

Janek Mäggi, Minister of Public Administration, Republic of Estonia. Digital identity, the once-only-principle and reducing administrative burden. Good practice from member state experience

Costas Kapsouropoulos, DG CNECT e-Government and Trust Unit, European Commission

Diomidis Spinellis, professor AUEB, former Secretary General of General Secretariat for Information Systems (GSIS)

Dimitri Vayanos, professor LSE, director of the Financial Markets Group Research Centre (FMG)

Kyriakos Pierrakakis, Dianeosis research director

Greek business perspective, Elias Kikilias, INSETE director

Moderator: Eirini Chrysolora, journalist at Kathimerini

16:00 Coffee break

16:15: Roundtable 2: Creating a regulatory environment fostering innovation

Good practice from Netherlands, Saskia van den Brink, Ministry of Economic Affairs, Netherlands

Alexander Kritikos, Research director, DIW Berlin

Aristos Doxiadis, Venture capital professional, founder of Big Pi

Marcos Veremis, Co-founder & executive Chairman of UPSTREAM SA

George Xirogiannis, SEV director for industry, growth and infrastructure

Moderator: Chris Allen, Resident Adviser in Athens, DG ECFIN, European Commission

17:30 Farewell address: Taking Business Reform forward in Greece, Paul Kutos, Head of Unit for Greece, DG ECFIN, European Commission

18:00 Conference close