



HELLENIC REPUBLIC



MINISTRY OF ECONOMY AND FINANCE

**NATIONAL REFORM PROGRAMME
2005-2008**

**IMPLEMENTATION REPORT
2007**

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1. Introduction

The 2007 Implementation Report (IR2007) of the National Reform Programme (2005-2008) presents the progress achieved in all the areas mentioned in the NRP, emphasizing on the recommendations, as these have been specified by the 2007 Spring European Council. The priorities presented in the NRP continue to hold their relevance:

- **Restoring fiscal balance and ensuring the long-term sustainability of public finances.**
- **Increasing productivity**, by addressing the structural problems in the operation of markets, investing in human capital and promoting a Knowledge-Based Society.
- **Improving the business environment**, enhancing competition, liberalizing the markets and increasing external openness.
- **Increasing employment**, combating unemployment and improving the effectiveness of the educational, training and re-training systems.

The structure of the report follows the three main pillars of the Lisbon Strategy, namely, growth – employment – environment. Specifically, in the following chapters, the progress of Greece is presented with respect to the sustainability of public finances, the modernisation of public administration, the promotion of the knowledge-based society, the improved entrepreneurial environment, the increase of employment, the qualitative improvement of training and education, the protection of the environment in conjunction with sustainable development, the energy policy and the support of regional and social cohesion. The IR2007's final chapter refers to the contribution of the 3rd Community Support Framework (CSF) and the National Strategic Reference Framework (NSRF) to satisfy the 2007 EU council recommendations.

1.1 Governance

For the preparation of the IR2007 an open procedure has been followed and the Report has been the subject of an extensive dialogue prior to its submission. In this effort, apart from the competent Ministries, which within the framework of the national coordination contributed with their specific progress reports, the contributions of the members of the Standing Lisbon Committee in Greece, i.e. Social Partners, the Regions and NGOs representing the Civil Society, were very important. Significant was also the guidance of the EC through the Economic Policy Committee meetings as well as the meetings with the special EC mission which visited Athens on 6/07/2007.

The constructive cooperation which was achieved during the preparation and submission of the NRP 2005-2008 has contributed extensively to the successful monitoring of the reform implementation aiming at achieving the national targets and contributing to the wider success of the Lisbon strategy across Europe. The result of this cooperation is the systematic monitoring of the NRP's implementation by the Lisbon Observatory (run by the Economic and Social Council), and also by the Federation of Greek Industries (FGI).

The draft of the IR2007 has been posted on the website of the Ministry of Economy and Finance since 18/10/2007, in order to achieve broader publicity. Finally, the IR2007 will be presented and discussed at the Standing Committees of Economic and European Affairs of the Greek Parliament which have already been sent the Report. The IR2007 will be submitted to the E.C. on Monday 22/10/2007 in order to be presented to and discussed by the Economic Policy Committee in November 2007.

2. Sustainability of Public Finances

2.1 Economic Policy Framework

The economic policy mix implemented since March, 2004 has been based on two pillars: on one hand, emphasis is placed on restoring fiscal balance and the credibility of general government data

along with improving the quality of public finance; on the other, a bold reform programme is launched aiming at enhancing the growth potential of the economy.

The targets of the second phase of fiscal consolidation and the reform agenda are outlined in the 2008 Draft Budget, the first to follow the abrogation of the excessive deficit procedure.

The main policy directions and targets are:

- ⇒ Achieving a balanced budget by 2010
- ⇒ Reforming the compilation process and the presentation of the State Budget. Extra-budgetary accounts will be incorporated in the budget and operated according to public accounting rules. Fiscal audits will be enhanced, while the legislative framework for public enterprises and entities will be complemented and expanded.
- ⇒ The finalisation of the tax reform, with emphasis on the simplification of property taxation, broadening the tax base and combating tax evasion.
- ⇒ The reinforcement of the role of the state regarding social protection, through the establishment of the National Fund for Social Cohesion and the introduction of the national minimum pension starting from 2009.
- ⇒ Enhancing regional development, through the effective use of Community funding, but also through the investment incentives law and PPPs.
- ⇒ The reform of the social security system, following a broad social and political dialogue.
- ⇒ Further enhancing the new growth model, by placing emphasis on higher value-added activities and the outward orientation of the economy.

2.2 Macroeconomic Developments in the current year and the Implementation of the 2007 Budget

The general government balance is expected to reach 2.5% of GDP in 2007 compared to 2.7% in 2006, slightly exceeding the original budget target (2.4%) but incorporating the cost of natural disasters during the summer. The general government debt is expected to lower in 2007 by 2.6 percentage points reaching 101.9% of GDP (down from 104.5% in 2006). The real GDP growth rate is maintained above 4%, thus overshooting the target set in the latest update of the Stability and Growth Programme (3.9%). Employment growth is expected at 1.8% and unemployment rate at 8.3% down from 9.3% (on a national accounts basis).

Ordinary budget revenue for 2007 is expected to increase by 6.9% reaching € 52,050 billion, thus overshooting the original target set in the budget. On the other hand, primary expenditure is growing at 11.2%, higher than originally projected. This is the result of the settlement of the debt to Olympic Airways, the cost of tackling natural disasters and offering assistance, and the cost of elections. Higher than expected inflows from E.U. and cutting on military expenditure have partly compensated for the overrun of primary expenditure, with a general government deficit being higher by only 0.1 p.p. compared to the original target.

2.3 Macroeconomic Prospects and the 2008 Budget

The target for the general government deficit for next year is 1.7% of GDP, while public debt is projected to be lower than 100% of GDP (98.9%) for the first time since 1992.

Ordinary revenue is expected to grow by 11.3%, while primary expenditure is projected to decelerate significantly (+5.9% compared to 11.2% in 2007) reaching 21.3% of GDP compared to this year. The improvement in tax revenue collection is mainly a result of further tackling tax evasion, through intensifying fiscal and customs audits and the restructuring of the system related to fuel distribution. In parallel, tax incentives for consumers to request receipts and comply with their tax obligations is a measure along the same lines. At the same time, tax evasion in property taxation is also being dealt with, through the introduction of a unified property tax.

Fiscal consolidation continues while maintaining high growth rates. Real GDP growth rate is expected at 4% in 2008, in line with the projections included in the latest update of the SGP, at a point in time when projections for world growth are being revised downwards and uncertainties about the energy market persist. Private consumption is expected to grow at 3.5%, investment by 10.5% and public consumption by only 0.7%. Domestic demand will maintain a high growth rate in the order of 4.5%, while exports of goods and services are expected to grow at 7.3% and imports at 7.8%. In 2008, private investment excluding housing will account for more than 60% to the real GDP growth rate, thus remaining the main contributing factor. Employment growth is expected to reach 1.9%, with the unemployment rate declining further to 7.4% down from 8.3% this year. Inflation is also expected to decelerate slightly in 2008 to 2.6% down from 2.7% in 2007, despite the variability of international oil prices.

2.4 Structural Interventions

There is considerable effort to improve the quality of public finances. Our aim is, on one hand, to introduce Programme Budgeting, in order to evaluate the effectiveness of public expenditure and, on the other hand, to implement a new accounting system which will support the State Budget for the most accurate presentation of public finances.

The 2008 State Budget will be accompanied by a special report, consisting of:

- **A Presentation of the State's Budget, structured in functions and programmes, the National Plan of Programmes.** In particular, the National Plan of Programmes consists of functions and programmes that cover the Central Government's actions. The first level of classification consists of the functions and the second one consists of the programmes that include all the revenues and expenditures of the State's Budget. The programmes have been developed and classified in functions, according to the purpose, the kind and the nature of the State's Budget expenditures (ordinary budget and public investment budget).
- **A description of the programmes.** A first attempt for the description of the content of each programme will be included. There is a short, but precise, as possible, reference to the State's actions, categorized in programmes. Each ministry may participate in one or more of the functions of the National Plan of Programmes.
- **Pilot planning.** A further analysis of the programmes in actions will be presented for the function "Culture, Religion and Sport". There will also be a presentation of the financial sources of the actions, from the ordinary budget, the Public Investment Budget and the off budget accounts.

Furthermore, according to Law 3513/2006, two new units, subordinate to the General Directorate for Treasury and Budget have been established in the General Secretariat for Fiscal Policy within the General Accounting Office:

- Unit for the Government Budget reform with main responsibilities: the introduction of a programme budget structure, a multi annual budget framework and the development of an assessment framework for the performance and the outcomes of the programmes and the government actions,
- Unit for the Government Accounting System Reform, with main responsibility the transition from the existing State's accounting system to an accounting system on accrual basis.

By the end of 2006, and in direct compliance with the commitments of the Greek Government for the Lisbon Strategy, a substantial step has been taken for the reorganization of the existing auditing system for Public expenditures. In particular, according to Law 3492/2006, the responsibilities of the Ministry of Economy and Finance as an external auditor, are being reinforced, reorganized and updated, in the basis of the contemporary principles of economy, efficiency and effectiveness. Through the implementation of those new forms of audit, the outcomes of the audits are being safeguarded, not only in respect of legality but in respect of quality, as well. An important gap is being covered in relevance with the function of the existing auditing mechanisms. The protection of the agencies' economic interests, the legal and rational management of their budget, the fight

against fraud, bribery and any illegal activity that harms their economic interests and the optimisation of the quality of the audits' outcomes are being reinforced.

In particular, a General Directorate for Fiscal Audits (GDFA) has been established in the General Accounting Office/General Secretariat for Fiscal Policy. The above mentioned General Directorate, apart from the scheduled and non scheduled audits, with its specialized personnel and other experts, upon the expenditure of various actors, will also audit the administration and control systems of the agencies that manage public funds. The establishment of internal control units is anticipated in all ministries, in all regions of the country, and in all supervised agencies, that their budget exceeds the amount of € 3 million. Those units will operate in compliance with the standards, the methodology and the guidelines of the administrative and control systems formulated by the GDFA. They will also exercise fiscal supervision and enforce fiscal corrections in case of individual or systematic irregularities that are detected in the agencies' units. This will lead to the decrease of funds available to the unit which has committed the irregularity or had limited achievement of its goals, with a simultaneous transfer of this amount of correction either to the agency's general budget, or to the State's budget. GDFA will also draw up an annual report, that will include the conclusions of the audits, the evaluation of the findings of the supervised actor's internal control units' and the relevant recommendations.

The effort to fight tax evasion is considerable, as revealed by the increased revenues. Until today, a number of important initiatives have been implemented, such as the cross checking of invoices by the General Secretariat for Information Systems, the reform and the completion of the (imputed) rates of net profits, the categorization of tax exempt expenditures for companies, the establishment of an objective way to determine potential cases for auditing and perform regular auditing, the upgrading of TAXIS and the development of new programmes. These actions are further strengthened by the promotion of e-government within the framework of the Digital Strategy 2006-2013. At the same time, tax decreases for companies and households are used as a disincentive to tax evasion. During the first phase of the tax reform the corporate tax rate has been progressively reduced from 35% to 25% for Societes Anonymes, while for other types of firms from 25% to 20%. This year the second phase of the tax reform is implemented which lowers progressively, until 2009, personal income tax rates. In more detail, in 2007 there has been a rise in the minimum tax free income by €1,000, reaching €12,000, while during the period 2007-2009 the central tax rate will be lowered to 25% (from 30%). Still, the highest income tax rate continues to stand at 40% for all incomes exceeding € 75,000.

At the same time, in a new draft bill that has been presented by the Ministry of Economy and Finance aiming to fight tax evasion, it is foreseen that the role of tax auditors will be, primarily, advisory to all new entrepreneurs. A new framework of penalties is being established. In addition, more incentives are provided to tax payers so that not only they ask for receipts for specific types of expenditures, but also so that they co-operate with authorities to reveal acts of corruption. Indexes are being formed in order to categorise tax payers according to their tax evasion probabilities and accordingly they will be more or less frequently controlled in detailed audits. A special task force (Council of Tax Policy) is being formed which will report directly to the Minister. In conclusion, the establishment of a National Council for the fight of tax evasion is foreseen in the draft bill, a council in which social partners and all political parties in the parliament will be represented. The revenues originating from the implementation of this new law will be used to further strengthen expenditures for health, education and the fight against poverty.

Law 3429/2005 has strengthened the efficiency of **Public Enterprises and Entities**. For the first time business plans have been formed for all the public enterprises and entities, giving emphasis on their strategic planning. The integrated implementation of corporate governance principles ensures transparency and accuracy in their financial reporting. The Charter of Responsibilities towards Citizens-Consumers is nowadays being formed. Finally, the conclusion of the negotiations for two-year wage collective agreements, with an agreement on a rate of wage increases equal to the public sector incomes policy, supports the co-operation between the management of companies and employees and promotes a more modern organization and operation framework.

Progress has also been achieved regarding Public-Private partnerships (PPPs). There is considerable fiscal gain as PPPs allow the fastest development of infrastructure and the provision of more and better quality services. The fast development of PPPs in Greece makes it the epicenter for the further evolution of this institution in its neighbouring countries. Through the leading role in PPPs new opportunities are created for Greek firms to participate in partnership projects.

The Interministerial Committee for **Public-Private Partnerships (PPPs)** has already approved a large number of PPPs, with a total budget of € 3 billion. The most important projects are the new buildings for the Ministry of Economy and Finance, a sports center and a recreational park in the municipality of Chalandri, a rehabilitation and recovery centre in north Greece, the integrated waste management system in the region of South Macedonia, a sewage system and waste management unit in the municipality of Rafina, a new building bloc in the Administrative Park of Alexandroupolis which will host the Joint prefecture of Rodope and Xanthi and the Prefecture of Evros, new schools, new hospitals and new buildings for the University of Peloponnesus. At this point it is important to emphasize that the PPPs institution is for the first time expanding to projects of a compensative nature regarding the protection of the environment.

2.5 Long-term Sustainability of Public Finances.

The main objective of the government is to achieve the wider possible dissemination of information and to ensure that its reform programme has the widest possible support. This is also revealed by the systematic approach and the extensive dialogue that is performed for the development of the NRP governance.

More specifically, with respect to the required **pension reform** previous attempts to tackle the issues have failed and made the public suspicious of the proposed solutions. This was mainly due to lack of preparation and limited dialogue with the actors involved. Within this context, the process of a public consultation was launched in spring 2006. An **Advisers Committee for the Study of the Social Security System** has been established. The committee is responsible and monitors the adequacy and the objectivity of the study which is underway in order to describe all the aspects of the problems faced by the Greek pension system. This study is currently being completed and it is expected that it will be submitted before the end of October 2007. It will include:

- Description of the whole Greek pension system,
- Presentation of the economic and demographic forecasts, as these have been analysed in the Report for the cost of Ageing of the Economic Policy Committee and DG ECFIN, and also the forecasts of the National Statistical Office,
- An actuarial study,
- Proposals to tackle all the issues raised. These proposals will present a series of alternative solutions which will become the basis for the development of dialogue with the political parties and social partners.

After this, the new government which was elected on the 16th of September will have the necessary authorization to go ahead with the reform of the social security system.

With regard to the **modernisation of the National Health System**, the development of an independent, integrated Primary Health Care Network, flexible in order to respond to the changing needs of all citizens, ameliorating the services in the rural areas and developing new in urban and semi-urban regions is being promoted. The new Primary Health Care Network system ensures the promotion of the continuity of care, through the different provided levels of health care services, by means of: a reliable reference system, the creation of Electronic Medical Record and the activation of the family doctor (GPs). The implementation of the PHC Network aims to reduce hospital congestion, something that will result to the saving of important resources (financial, human and technological) and to eliminate delays in access to care.

At organisational and structural level, **the regional structure of the NHS has been reformed** (Law 3527/2007). The Regional Health Authorities have been merged from seventeen into seven aiming at a more effective and more efficient function of the Health Care System, strengthening at the same time the regional structure of the State. The benefits are multiple and multidimensional:

- Saving of financial resources and achievement of economies of scale. According to the budgets of the Regional Health Authorities (YPE) it is estimated that the annual savings will amount up to €26,1 million.
- Rational and timely planning of the annual financial, technological and human resources.
- Modernisation of the administration and cutting down red tape.
- More effective communication and co-ordination in order to promote the targets of the Health Policy.
- Better financial, managerial and administrative control which ensures the optimal operation, the transparency and a more effective fiscal management of all health care entities.

In addition, the **Special Secretariat of Mental Health and Social Inclusion** has as a priority to promote, establish and finalise the reform in the area of Mental Health. Its goal is to promote the optimal operation of its mental health units by implementing modern methods of management and strict rules of rational financial management in order to strengthen transparency and effective fiscal management.

In addition to all these, the Law 3580/2007 concerning the **supplies of institutions** supervised by the Ministry of Health and Social Solidarity comes to complete a reform aiming at the financial restoration and modernisation of the National Health System. The new procurement system saves up valuable financial resources which can be invested in order to upgrade the infrastructures of the public health system as well as to employ new personnel. Even from the first year, it is estimated that the expenses will be directly cut down to €500 million.

An **integrated policy concerning medicines** has been implemented (Law 3547/2006), with an overall approach to the pharmaceutical care in the framework of an integrated patient-oriented system for the provision of health services. It is a long-term reform that aims at defending the social character of the medicine, at saving valuable resources for the Insurance Bodies by means of rationalizing the expenditure and at boosting up the medicine market. The necessary mechanisms are being progressively developed, which are going to enhance the drawing and the implementation of an effective health policy through the feedback of real data concerning the medicine consumption and expenditure. To this direction, the bar code system has already been applied by the pharmacies promoting the easy electronic registration, the data processing and the traceability of the pharmaceutical products. At the same time, the Organisation for the Medical Care of Civil Servants (OPAD) has begun to supervise and control the doctors' prescriptions, a project which constitutes a pilot for all the other social security organizations of the country.

By exploiting the framework for **Public Private Partnerships** (PPPs), 9 projects, i.e. the construction and maintenance of 5 Hospitals (2 projects have already been approved) and 4 Rehabilitation and Recovery Centres have been submitted to the Special Secretariat of PPPs. The budget of these projects is estimated to be around €1,5 billion and the contracting authority is DEPANOM S.A., a public entity that is supervised by the Ministry of Health and Social Solidarity.

It is estimated that the materialization of these projects will create directly 5.000 new jobs which refer to the personnel employed in the construction of the new Hospital Units and the Rehabilitation and Recovery Centers and also the medical, nursing, administrative and technical personnel which will be employed on a permanent basis in these Hospital Units and Rehabilitation and Recovery Centers. In addition, indirectly, new working positions will be created in relation to the creation of new commercial activities in the areas where these projects will be constructed.

3. Modernisation of Public Administration

The development of a modern and efficient State, responding to the needs of society and economy, constitutes a principal priority. The strategic planning for the administrative reform which is required for the successful transition to the knowledge economy and to sustainable development is depicted in the O. P. “Public Administration Reform” 2007-2013. The main pillars of the Public Administration Reform are:

- Human Resources Development
- Administrative structures reorganization
- New Technologies dissemination and best use
- Regulatory Reform for the reduction of administrative burden

3.1. Human Resources Development

The New Civil Servant’s Code has been voted by the Parliament (Law 3528/2007) and 4 circulars supporting implementation of issues concerning public servants mobility, service councils, classification of posts and leaves.

As far as public servant’s training is concerned:

- 12 Regional Institutes of Training are in operation, in which civil servants can participate in introductory and continuous training programmes.
- 740 civil servants employed at the public services Education Directorates have been trained on the methodology to identify training needs identification. Since September 2007 the National Centre for Public Administration and Local Government is offering consulting support to public organizations for the identification of their training needs.
- The e-learning training programme will be completed by the end of 2007. This programme refers to training technical personnel, organizers and teachers of e-training modules.
- Special training programmes addressed to public servants who are promoted to high – ranking positions (Directors and General Directors), will be initiated by fall of 2007.

Furthermore in the O. P. “Public Administration Reform” 2007 – 2013, a specific axis has been included for the development of human resources. Actions aim at promoting structural and institutional reforms and at improving the quality and the effectiveness of the provided educational and training programmes. In the specific O.P. axis, the projects included among others are:

- Job profiles development.
- Development of Trainers certification system.
- Upgrade of Introductory Training.
- Elaboration of educational plans on behalf of the Ministries and other public organizations.
- Development and implementation of the educational structures’ certification system.

3.2. Structural and Operational Modernisation of Public Services

Since 2004 (Law 3230/2004) the system of Management by Objectives has been adopted. The aim of this system is to have a more efficient operation of public services and to support the adaptability of human resources to the new needs and to the new management models. (Objective setting, Strategic Goals definition, Effectiveness and Efficiency Measurement). Furthermore,

within the first specific objective of axis 1 of the O. P. ‘Public Administration Reform’ 2007-2013 for “Improving the strategic planning and implementation mechanisms of public policies”, actions aiming at the organizational and operational reform of the central, regional and local government administration, are included (management by objectives, improving efficiency).

3.3. Development of e-government

New technologies constitute a factor of decisive importance not only for the improvement of public sector efficiency, but also for the creation of a modern development model, in general.

The implementation and use of digital signature and encryption in public administration is already in operation. The creation of the National e-government Portal “ERMIS”, is currently underway, as a unique access point for citizens to public services for information, as well as, for the realisation of e-transactions (Authentication System).

In parallel, actions implemented in the framework of the government’s Digital Strategy 2006-2013 (chapter 4.3), already present visible results regarding the improvement of public sector’s productivity.

3.4. Better Regulation and Administrative Burden Reduction

According the Prime Minister’s circular new elements are being introduced progressively in the regulation procedures.

- Impact assessment (ex ante and ex post).
- Simplification of Procedures and administrative burden reduction
- Incorporation of Community Law
- Codification

3.4.1. Regulatory Impact Assessment

The effort to limit excessive legislation, to improve the quality of legal and regulative documents, to gradually abolish redundant provisions and, in general, to simplify the legislation is particularly important. According to the Prime Minister’s circular addressed to all Ministers, directions for further implementation of the regulatory reform were given, at first on a pilot basis. It is necessary to have time to adjust the law making procedures accordingly and to tackle in the best way any issues that arise. The central point of the Regulatory Reform is the ex-ante assessment of the proposed regulatory provisions, prior to their implementation. The implementation of this ex-ante assessment has already started since March 1st, 2007.

Specifically, every ministry which promotes a regulatory intervention prepares an “Ex Ante Impact Assessment” report. In this report it is assessed the financial, social, and environmental impact of the proposed interventions. In particular, as far as the financial consequences are concerned, an analysis is conducted on the expected impact of every provision on competitiveness, markets, commerce, services, investments, direct and indirect cost, as well as, on administrative requirements and the administrative burdens imposed on companies, especially on SMEs, on consumers, on economic sectors, on public services and mostly on employees. Referring to social impacts, the expected results of each regulation are analysed with respect to the labour market, the quality of jobs, improving equal treatment and equal opportunities, gender equality, social and consumers’ rights, public health and security, access to education, social protection and services. Finally, all possible impacts to the environment and sustainable development are analysed and

clear suggestions are formulated for the improvement of the quality of the environment and the reduction of environmental risks.

Furthermore, the regulatory reform programme, introduces new elements for the monitoring of the implementation of new regulations. The procedure is still under development. It is foreseen that an **“Ex post Impact Assessment Report”** will be carried out by the competent Ministry in order to evaluate the implementation of its new regulations.

In addition, the Ministry of Interior is carrying out impact assessments within the framework of the project “Framework of participatory e-democracy for the impact assessment of public administration regulations” which is funded by the O.P. “Information Society”. Impact assessments are carried out for regulations in the following sectors: tourism, manufacturing and commercial firms and telecommunications. The simplification of procedures is also conducted in these sectors by implementing the Standard Cost Model. Nowadays, under this project the regulatory framework of industrial and manufacturing facilities is being assessed.

3.4.2. Simplification of Procedures and Reduction of Administrative Burden

As far as simplification of procedures is concerned the following should be noted:

- The obligation to submit 148 different supporting documents in order to follow specific administrative acts was removed and replaced by a simple solemn statement.
- The promotion of the “inter-service search”, by demanding ex officio 23 supporting documents necessary to proceed with certain administrative acts by the administration.
- 46 new procedures are enlisted to the log of procedures that are carried out through the Centers for Citizens’ Service (KEPs).
- 24 new Centers for Citizens’ Service were founded.
- During the period under consideration, 3,5 million citizens visited the KEPs in order to run 650 different administrative procedures. Daily on average 13,300 citizens visit the KEPs and 970 citizens on Saturdays.
- 3 out of the 10 most frequently asked procedures in the KEPs, are carried out on the spot, while the rest are processed between 5 and 10 days.
- The licensing procedure for sanitary interest enterprises (relevant to the preparation and distribution of food and beverages) was simplified. The simplification measures are also valid in cases of transfer of rights because of inheritance.
- The administrative cost deriving from inspections to cinemas and theaters was reduced by 30%.

In the O.P. “Administrative Reform 2007 – 2013” a specific objective is included relating to the **improvement of regulations**. Among the actions to be undertaken is the development of “Documentation and Analysis Units” within the Ministries, under the coordination of the General Secretariat of the Government. In addition it is foreseen that by using the Standard Cost Model methodology there will be reduction of administrative burdens.

In more detail, regarding the reduction of administrative burden, a committee has been formed of representatives from the 13 actors involved in the implementation of the relevant EU regulations which are included in the European Commission’s action plan. At national level, it is expected that by the end of the year, for each of the 13 sectors, we will have completed the review and the selection of the regulations which will form the priorities for our country. Each Ministry will

develop its own supporting mechanism. This whole procedure will be carried out through extensive public consultation with the stakeholders involved, both from the public and the private sector. At present, briefings with the representatives from each sector took place at the Ministry of Economy and Finance, in order to launch the programme to reduce administrative burdens deriving from national regulations. During these briefings, the participants were informed for the necessary future actions and were invited to present their initial findings. Finally, a seminar was organized, under the auspices of the Minister of Economy and Finance, chaired by the Secretary General of the Ministry, in which participated all the Secretaries General from the involved Ministries as well as the Presidents of the Social Partners. At the meeting an agreement was reached for the need of an immediate and coherent strategic action to reduce administrative burden.

Furthermore, the Ministry of the Interior has set an indicator in the NSRF for the reduction of administrative burdens by 25% by 2013. A study has been already completed for the use of Standard Cost Model based on the European experience and a decision was taken at the Governmental committee on the 16/6/2007, for the first four priority sectors where administrative burdens for businesses deriving from legislation at national level will be measured by 2009, according to the European Commission's action plan.

3.4.3 Codification

In the Ministry of Interior, the "Raptarchis" project is currently underway. This project is about the codification of all national legislation and its automatization in order to make it accessible to the public. In addition the Ministry of Interior will be able to provide upgraded services to citizens and businesses and offer direct e-access to the Permanent Code of Legislation. Within the framework of the "Raptarchis" project the legislation is codified following international standards and the necessary mechanism for the standardization of procedures is being set up in order to assess the impact of regulations through an infrastructure of participatory e-democracy. The studies have been completed and all necessary infrastructures are in place. In October 2007 it will commence the training programme of the system operators. The project is expected to complete by November 2008, when all regulations will have been registered and updated within the "Raptarchis" system.

3.5 Deepening of the Internal Market

Regarding the timely transposition of EU Internal Market directives, Greece has lowered significantly its deficit to 2.4% according to the latest available data of July 2007. September's preliminary data bring the deficit down to 2.2%, with further tendencies of improvement. Even though the deficit has not yet reached the target of 1.5%, it has presented substantial improvement in 2006, fact that is emphasized in the Scoreboard No 16 of July 2007. At the internal market scores table, although Greece holds the 22nd position it shows the best performance so far. In addition, it is one of the 4 member states which lowered the number of infringements for the non timely transposition of Community Directives into national law. In order to improve the performance of Greece in this area, considerable coordinative role is played by the General Secretariat of the Government in cooperation with the Permanent Greek Delegation at the European Commission.

4. Knowledge – Based Society

4.1 Research and Development (R&D) – Innovation

Our aim is to promote innovation with the ultimate goal to restructure the Greek economy towards the production of high value-added products and services and the transition to the knowledge – based economy and society. Currently, the public sector constitutes the main funding actor, while

the private sector has low participation. This is primarily due to the large number of SME's and the more general structure of the Greek economy. There have been significant shortcomings regarding the necessary infrastructure – intermediate bodies with the necessary specialization and critical mass, as well as absence of an institutional framework that could strengthen the coordination between competent ministries and other organizations. To reverse this situation, the Government has on the one hand drawn up a new legislative framework for RTD and on the other promotes measures aiming at improving and expanding existing R&D infrastructure, improving the operation of intermediaries and strengthening the cooperation and synergy between public research organizations and enterprises, while also providing financial incentives for private investment in R&D.

The national target for GERD is to reach 1.5% of GDP, with 40% participation of the private sector. According to analytical estimations made by the General Secretariat for Research and Technology (GSRT), the 1.5% target is expected to be reached by 2015, following the completion of the RTD and Innovation actions within the new programming period.

From recent data of the Institute for Scientific Information (ISI) emerges a promising message for scientific research in Greece, regarding both Universities and Research Centres. According to ISI data, Greece is ranked among the top 30 countries in the whole spectrum of scientific research, holding the 22nd position in the fields of Agricultural Science and Computer Science. In addition, according to the latest available data from GSRT, there is a considerable increase by 17.7% in the number of researchers during the period 2003-2005 (from 28,058 in 2003 to 33,033 in 2005), while the total R&D personnel increased by 8.6% (from 56.708 employees in 2003 to 61.569 employees in 2005). Significant is also the increase of researchers in firms. During the period 2003-2005 an increase of 36.7% is observed, while the total R&D personnel in private firms increased by 6.1% (from 12,259 employees in 2003 to 13,011 employees in 2005).

These trends are reinforcing – and are partly reflected in – the changes observed in the structural characteristics of the Greek economy. Between 2000 and 2005 there has been a considerable increase in the degree of export specialization in research-intensive products, coupled with a decrease in the degree of specialization in the export of labour-intensive goods. Although Greece continues to export primarily labour-intensive goods, the increase in the specialization index for research-intensive products over the period 2000-2005 has been the highest in the euro area (Table 4.1.1).

Table 4.1.1: Evolution in Sectoral Specialisation (2000-2005)

Country	Balassa specialization index (<i>percentage change</i>)			
	Research Intensive Goods	Capital Intensive Goods	Labour Intensive Goods	Raw Materials Intensive Goods
Austria	-3.0	18.1	-6.8	1.2
Belgium	18.0	-12.3	-14.5	4.0
Finland	-1.3	33.9	-11.6	-7.5
France	-5.7	-1.1	4.5	2.6
Germany	2.1	-2.0	5.9	9.7
Greece	33.7	7.9	-7.4	-18.5
Ireland	-1.1	40.9	-14.3	-2.1
Italy	-0.3	-0.8	-6.4	13.4
Luxemburg	-19.4	-8.9	15.7	23.4
Netherland	0.9	-15.1	-5.1	-0.6
Portugal	-9.1	-0.9	-15.2	2.3
Spain	7.4	-11.0	-2.2	-2.6
Slovenia	1.4	7.0	-12.1	27.1
Euro area -13	-0.4	0.9	-4.3	3.5

Source: European Commission

4.1.1 New Institutional Framework for Research and Technology

The new framework on Research and Technology has been prepared jointly by the Ministry of Education and the Ministry of Development and has already been voted by the Parliamentary Standing Committees on Cultural and Educational Affairs and Production and Trade. It is the government's priority to bring the draft law before the Parliament's Plenary Session. The new framework aims to address the current weaknesses in governance, promotes the adjustment of the research system to the needs of the economy, taking account of sustainable growth, entrepreneurship, and the utilization of human resources within an open and outward oriented economy.

4.1.2 Implementation of current actions on Research, Technological Development and Innovation (RTDI)

RTDI projects are under implementation regarding the strengthening of industrial and scientific research, the linkage of research to production, the enhancement of human research potential, the creation of new innovative enterprises. In addition the creation of clusters in the field of Microelectronics is progressing and the promotion of clusters in general. Meanwhile, awareness campaigns on research and innovation are aimed towards the general public and students in particular, as part of the 3rd CSF and the O.P. "Competitiveness". Over the previous year € 90 million of public expenditure was granted for these projects. In addition, over the same period, new projects in the context of existing or new actions have been approved, with a total budget of € 175 million (of which € 106,5 million are public expenditure).

- It is worth noting the increased emphasis on actions at regional level, as 38.5% of public expenditure committed for new projects comes from several Regional O.Ps. In this context, in addition to the initiation of the five projects for the creation of Regional Innovation Poles in the regions of Thessaly (Food, Biofuel, Textile), Central Macedonia (Informatics and Communication Technology), Western Macedonia (Energy), Western Greece (Informatics and Communication Technology, Food, Environmental Technology) and Crete (Informatics and Communication Technology, Health, Biotechnology/Food), the following actions were promoted at regional level last year:
 - The programme "KOINOPRAKSIES" (enhancement of cooperation between enterprises and research centers for the implementation of RTD actions in thematic areas).
 - The PAVET and PAVE – NE programmes (support to enterprises and new enterprises respectively for industrial research and technological development).
 - The new action for the promotion of innovation entitled "TEXNOKYCELES" (action similar to incubators), was launched in the region of Central Macedonia and in the region of Northern Aegean.
 - In addition, the region of Central Macedonia also supported the Development of Innovation and entrepreneurship Infrastructures in the Public Research organizations through the new programme entitled MOCHLOS .

All the above actions were designed by the central administration in cooperation with the respective regional authorities and financed from PEP, but the evaluation- monitoring of these projects is under the supervision of the central administration/GSRT. The planning and implementation of similar activities at regional level in synergy /complementarily to the national RTDI actions is the ultimate goal of the Ministry of Development. In addition to that, some regions took initiatives to promote RTDI actions of small scale, while funding to upgrade infrastructures at Universities and Research Centers was provided. As far as the actions are concerned, launched at national level, it is worthwhile to mention the following:

- The support for the creation of 5 new spin – off companies, raising to 38 the total number of spin – off companies, which have been funded through the PRAXE programme. In parallel, within the Regional Innovation Poles actions, the preparation for the creation of 11 new companies (spin – off and spin – out) was approved for funding.

- The launch of the programme KOINOPRAKSIES (consortia between enterprises, R&D and other organizations) in the fields of image, sound- and language processing, as well as the support for the development of GRID pilot applications.
- The approval of the creation of 2 more - incubators for young innovative enterprises of a total budget € 4,18 million, raising to 8 the total number of incubators in Greece (3 in Thessaloniki and 5 in Athens).
- The funding of 16 more laboratories that cooperate with enterprises and research users in order to provide knowledge intensive services (€ 7,5 million funding).
- The “Hellenic Observatory for Research and Technology Specialties-HORT” was created in GSRT, with the aim to monitor mismatches between offer and demand in the R&T in labor market and to identify shortages in R&T specialties. Five external experts, who consist the Observatory Team, have been hired, while for the acquisition of the necessary integrated information system (estimated budget € 850.000) an international public procurement bid is open. In parallel, the preparation of a study for the data selection is under way. (Estimated budget € 640.000). A HORT portal providing services to researchers is estimated to be available by the end of 2008. Expansion of HORT activities, to provide services in R&T issues general, which are not covered by other existing bodies, is also under consideration.
- The pilot application of “DIODOS” programme, which has as main goal the reduction of the costs of broadband access - for students who use Internet from their home. This application will be expanded in the future.
- The enhancement of international cooperation for industrial research (€10,9 million), as well as the - programme for - international cooperation with technologically advanced countries (USA, Canada, Australia etc), which led to the approval of 40 new projects with total budget € 2,4 million.
- The strengthening of the Public Research Organization Infrastructures, supervised by the Ministry of Development via the O.P. Competitiveness (€ 1,2 million) and national funds (€ 4,3 million). Furthermore, the amount of € 35,5 million was given to the respective organizations for their participation in projects funded within the European Union’s Framework RTD Programme.
- The creation of a new research center in Thessaly (KETEATH) and the preparation for the creation of a new one in Epirus and possibly in Eastern Macedonia – Thrace.
- At the end of June 2007 the week for the Science and Technology took place.

At last it is noted that:

- Following Greece’s full membership in ESA, we have intensified our efforts to reap the full benefits from the country’s participation in ESA, which represents an important investment for Greece.
- The review of the national innovation and research system was assigned to OECD.

The participation of Ministry of Mercantile Marine in the various research and innovation initiatives, both at national and european level, is also important. Especially, are mentioned thematic issues such as:

- a. Implementation of satellite technologies in the maritime transport.
- b. Intelligent transport systems
- c. Sea surveillance and transport observation systems.
- d. Development of motorways of the seas.

4.1.3 Economic Incentives for Private Expenditure in R&D

Law 3296/2004 concerns the deduction of expenditures made for scientific and technological research from the enterprises’ profit. During the last year 66 requests for tax deduction were submitted for total amount of € 35 million, out of which, € 28 million have been approved by the ministry. In parallel, a campaign for the broader dissemination of the benefits of this measure took place, while GSRT examines the possible amendment of this measure in order to render it more attractive.

Investment Law 3299/2004 provides among others, incentives for private investments in R&D, in advanced technology products and services and in innovation. During last year, 53 investment projects have been submitted for funding. Following – evaluation, 38 investment plans, of an overall budget € 109,4 million, have been approved. In particular, 14 plans refer to software development, 13 to advanced technology services, 4 to advanced technology products, 2 to industrial research laboratories development, 2 to innovative investments and 3 to new products for the Greek market.

4.1.4 Strategic Development Plan for Research, Technology and Innovation within NSRF 2007-2013

The Strategic Development Plan for Research, Technology and Innovation drawn up by GSRT for the programming period 2007-13 has been almost finalized. The inclusion of the thematic priority areas is still pending. The supporting studies assigned by GSRT to external consultants, in fields of great importance for the planning of RTD policy in Greece, have been completed and are under consideration for further action by the ministry policy makers . These studies concern:

- The identification of the thematic priority areas for the promotion of research and technology within the programming period 2007-13.
- The exploration (investigation) of the possibility to support the intermediary bodies responsible for the exploitation-dissemination of RTD results and innovation intermediaries in general, with emphasis on those of the Public Research Organizations, including - the possibility for the establishment of new ones.
- The investigation of funding possibilities of research and, technology activities through venture capitals funds, mainly pre-seed and seed venture capital for the programming period 2007-13. The relevant technical study has been completed, providing, inter alia, an overview of the present state of the venture capital market in Greece, as well as international examples of best practices. Based on this study, GSRT is considering plans for new measures aimed at enhancing both, demand and supply of venture capital for research and innovation during the next programming period.

All studies are available in the GSRT web site and have been forwarded to other competent bodies, in particular to Ministries and Regions, research centers, Universities, Technical colleges, enterprises associations, national delegates, etc. As far as the thematic priority areas concern, the outcomes of the relative study, have been submitted to both broad open and targeted public consultation. The final selection of the thematic priorities will be based on the outcomes of the study and the results of the public consultation.

The Strategic Development Plan for Research, Technology and Innovation coordinated the formulation of the Operational Programmes for the new programming period, ensuring inclusion of all necessary actions and mobilizing the appropriate funds by competent ministries and regional authorities (mainly the Ministry of Education, Ministry of Employment, Ministry of Economy and Finance, Attica Region and Central Macedonia Region). Total public expenditure for the promotion of research, technology and innovation in the context of ESRF 2007-13 is expected to exceed the amount of € 1 billion.

4.1.5 New Actions for Research, Technological Development and Innovation-RTDI

Significant impetus to innovation is expected to be given by the new actions within the NSRF - Operational Programmes and particularly the actions within the O.P.s “Competitiveness and Entrepreneurship”, “Digital Convergence”, “Education and life long learning”, and the ROP of Attica.

4.2 Education and Information & Communication Technologies (ICT)

Distance Learning schemes, with the use of ICT systems, have been employed or developed in pilot projects so far, in order to facilitate educational activities in all levels of education. Five major

distance learning platforms have been developed, which have supported integrated distance learning programmes, knowledge communities, virtual classes, etc. These platforms have been evaluated in order to determine which is the best possible solution to use in the development of a single overall distance learning system in Greece, by achieving, at the same time, significant economies of scale. The results of this evaluation are currently being used in the preparation of the feasibility study for the establishment of the single overall distance learning system in Greece. It is estimated that this system will be implemented within the programming period 2007-2013.

In addition, two actions are implemented by the Ministry of Rural Development and Food aimed at the promotion of innovation, the diffusion of know-how and the enhancement of research and technology. These actions are funded through the O.P. Information Society, within the context of the Digital Strategy and refer to the following:

- **Organization and diffusion of digital geographical information on the agricultural sector** (with a budget of € 6 million). This project aims to improve the availability of geographical data to academia, facilitating their use in related research.
- **Electronic management and diffusion of agricultural research and technology** (with a budget of € 1,8 million).

Furthermore, within the context of the Digital Strategy 2006-2013 (section 4.3) the Ministry of Transport and Communications has called and is currently completing the tender for the project DORY. The project DORY will implement the satellite broadband connection at 1673 remote and inaccessible areas of Greece using two transponders of the Greek Satellite Hellas Sat 2, allowing connectivity to the Public Sector intranet and providing access to the telematic and telecommunication services offered. The project extends over the whole of Greek territory through 1.000 terminal stations, serving inter alia schools in remote areas, citizen service centers and Hellenic Post Office branches.

4.3 Digital Strategy 2006-2013

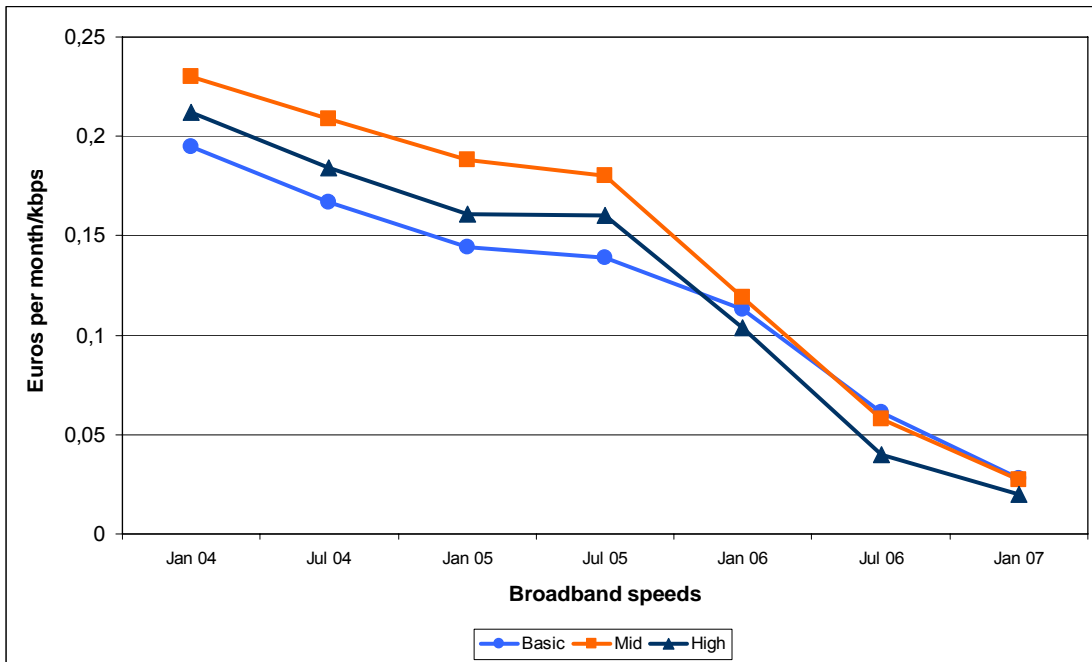
4.3.1 Progress achieved during 2006-2007

During 2006, the first year of implementation of the Digital Strategy, Greece has come first globally, as the country with the highest broadband annual growth rate according to data available from accredited international organisations¹.

Market developments and the growth of competition at the electronic communications market during the last three years, have led to the slashing of monthly retail prices for broadband access. According to data gathered by the Observatory for the Greek Information Society, monthly retail prices for broadband access in Greece, and especially for new ADSL subscribers, have reached the EU-25 average levels after having been diminished by more than 85% since 2004 (figure 4.3.1.1).

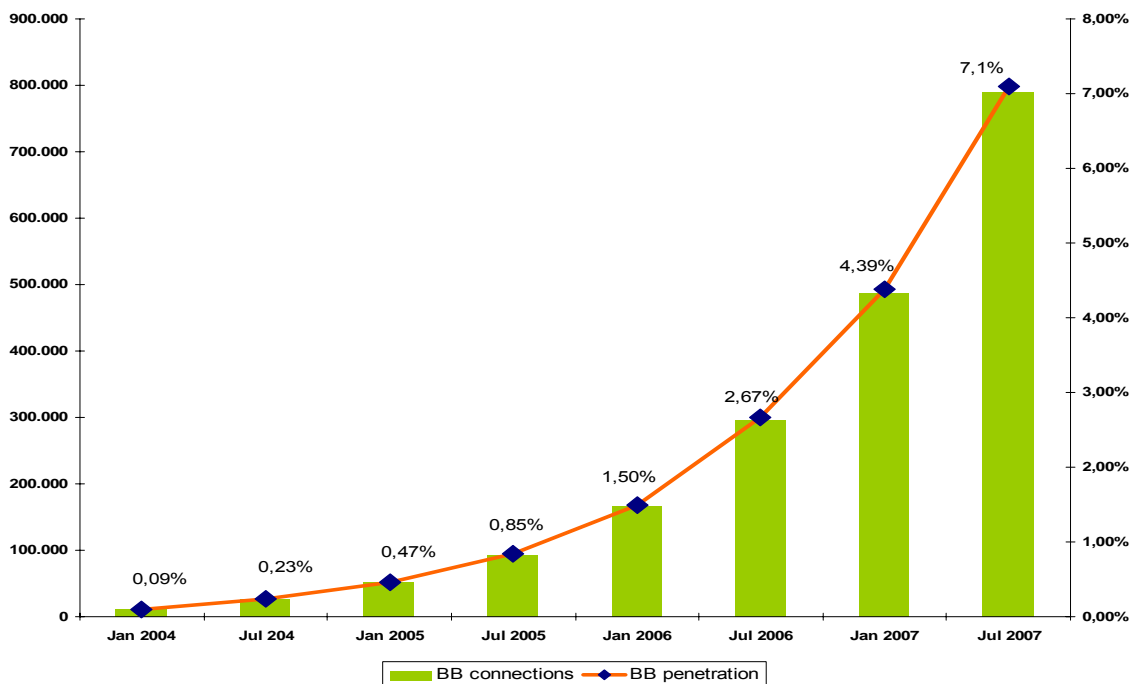
Figure 4.3.1.1: The evolution of broadband retail prices

¹ *World Broadband Statistics - Point Topic – March 2007*



At the outset of the Digital Strategy 2006-2013, the Greek Government had set the target of achieving a broadband penetration rate at the level of 7% of the population by the end of 2008, up from 0.1% in Q1-2004. However, the “Broadband Action Plan” of the Digital Strategy as well as the transposition of the EC telecoms directives during 2006, contributed **to achieving this goal 18 months earlier**. In August 2007, broadband penetration already reached the level of 7.5%.

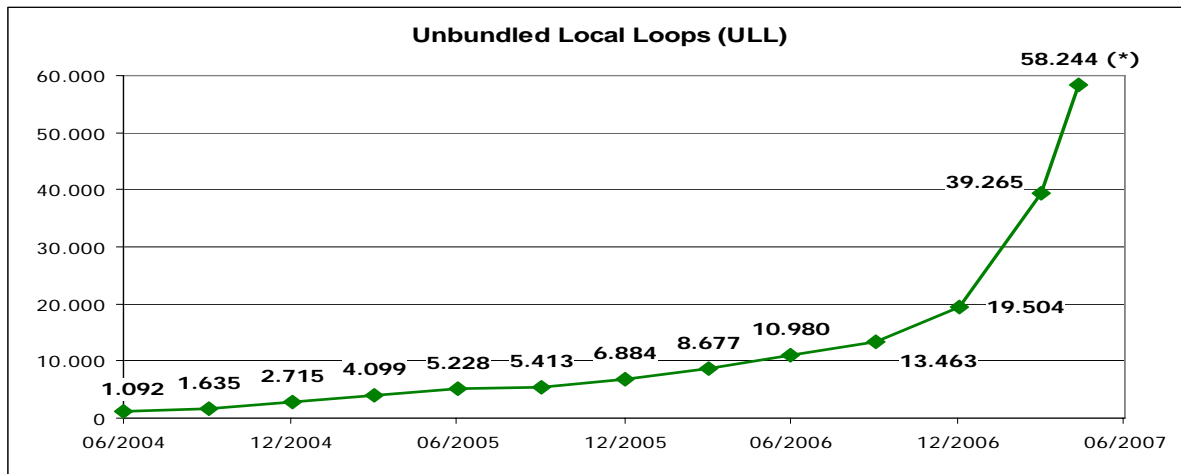
Figure 4.3.1.2: Broadband penetration rate growth



The achievement of this target has also benefited by the increase of telecom providers physical “co-location” during 2006. More specifically, at the end of May 2007, the number of OTE nodes that permit physical co-location reached 55, compared to only 5 back in July 2005 and earlier. Furthermore, it is expected that physical co-location will be feasible to at least 150 OTE nodes by the end of 2007. Taking into account distant co-location to OTE nodes, raises the total number of

nodes to 91 thus providing telecom providers access to a total base of more than 3,2 million subscribers, corresponding to almost 58% of the installed lines in Greece.

Figure 4.3.1.3 Local Loop Unbundling growth



(*) as of 11/5/2007.

As far as the availability of e-government digital services is concerned, the number of fully available services as defined in eEurope has been raised to 8, up from 5 that were available at the beginning of year 2006. Additionally, **funding has been allocated to the development of more than 40 new digital services** to be gradually available to citizens until the end of year 2008.

During 2006, there has been an increase in both citizens and businesses that are actively using available digital services. In 2006, **71% of businesses** (10+ employees) have used the Internet for transacting with the public sector.

During the last 12 months, digital services at the public sector have been further enhanced especially at fields related to taxation. Indicatively, just within the framework of the Ministry of Economy and Finance's TAXISnet digital services, more than 3,5 million electronic transactions have been recorded in 2006 (an increase of 54.1% compared to 2005, and 157.5% compared to 2003). The number of registered users at TAXISnet has increased by 29% compared to 2005, and is now reaching 1,7 million users. It is estimated that a total of **7 million productive hours of the citizens** and **288.000 productive hours of the Ministry's staff** have been saved, due to the use of the enhanced TAXISnet digital services.

According to the Observatory for the Information Society, in 2006 the 92.5% of Greek businesses (10+ employees) and the 38% of smaller businesses have access to the Internet. During the same year, the number of households having access to the Internet reached 27.4%, increased by 3.2 basis points compared to 2005. Additionally, the 39% of the population aged 15 to 65 are now using a computer, a percentage increased by 25% compared to 2004 levels.

4.3.2 New initiatives for 2007

In year 2007, the Greek Government will continue along the path prescribed at the Digital Strategy 2006-2013, which aims at:

- Improving productivity through the use of ICT
- Improving quality of life for citizens through ICT and the Internet

Within this framework, during 2007:

1. The Government has set as a target the "Broadband Convergence to the EU" by the end of 2009, in terms of broadband penetration at the population.

2. The new O.P. “Digital Convergence” for the fourth programming period 2007-2013 has been designed and is in the final negotiation stages with the EC services. The OP “Digital Convergence” fully reflects the strategic objectives set by the Greek Digital Strategy, as well as the i2010 policies and it contributes to the Lisbon objectives at a percentage which exceeds the 95% of its total budget.
3. The “Broadband Action Plan to 2008” with a total budget of € 450 million is now in full implementation within the framework of the Digital Strategy, and is being funded through 3rd CSF. In February 2007, the “Big broadband project” for developing broadband infrastructure and stimulating broadband demand at the Greek regions has started. The EC Commissioner Neelie Kroes referred to the project as being “*to-date the most ambitious broadband project notified under the state aid rules*”. Additionally to this project, and within the “Broadband Action Plan to 2008”, Metropolitan Area fiber-optic Networks are being developed in 75 cities across Greece, Wireless networks are being developed in 120 smaller cities and more than 400 businesses have been funded for setting up more than 770 Internet wireless hotspots. The Broadband Action Plan also includes projects for facilitating access to disabled people, and for funding the development of broadband services by SMEs to the citizens, with an allocated total budget of € 44 million. The first broadband services by SMEs, will be made available at a pilot stage at the end of 2007. Through all these initiatives, the “Broadband Action Plan to 2008” envisages a broadband population coverage of 90% (versus less than 40% in 2004) and a broadband geographical coverage of 60% (compared to less than 10% in 2004).
4. A large-scale awareness campaign for “Digital Greece” has started in 2007 and is in full implementation, having as its main aim to acquaint citizens with the everyday benefits of ICT.
5. An international bid for the “Development of a national strategy for electronic communications for the period 2007-2013” has been tendered, where significant emphasis is placed on Broadband as well as to the development of relevant infrastructure and services according to the i2010 policy requirements and the Lisbon objectives.
6. A series of initiatives have been put into place within the Digital Strategy for increasing the capacity of Local Authorities to harness the benefits of ICT for regional development. For this purpose, the initiative “**Digital Local Authority**” (total budget of € 60 million) is currently under implementation that aims at supporting the development of digital services at the municipalities of Greece. Additionally, the initiative “**Digital Municipality**” has been put into effect, aiming to train more than 17,500 mayors and municipal counselors at new technologies, with the co-operation of KEDKE (association of local authorities).
7. In the academic field, the initiative “**See your life digitally**” has been implemented with great success. The initiative was addressing the top 20% of first-year students entering each University department across Greece, and offered initiatives for the acquisition of laptops with wireless access capabilities. More than 11,700 students out of a total of 12,584 eligible ones (percentage of 93%) participated in the initiative, acquiring a laptop for their academic needs. Student participation has been rated as very high, especially compared to similar initiatives in other European countries, where similar schemes are considered successful when participation rates exceed 40%. The Greek Government is evaluating the results, and considers the option to extend it further during Fall 2007. Furthermore, a plan is currently under development for the **pilot introduction of a “pupils’ laptop”** at Greek classrooms. The plan is being implemented with the co-operation of the Ministry of Economy and Finance, and the Ministry of Education.

5. Business Environment

Over the last three years the Greek economy has sustained particularly high growth rates, despite significant fiscal consolidation and rising oil prices. At the same time, the qualitative characteristics of economic growth have improved, with investment and goods exports as the main contributors. Furthermore, in 2006 there was an impressive pick up in FDI flows. This performance is not coincidental and is directly related to the implementation of the NRP 2005-

2008. The implemented and still ongoing reforms have markedly improved the business environment and have increased the outward orientation of the economy, encouraging private sector activity and releasing the economy's growth potential.

This is also verified in the World Bank's 2008 Doing Business Report, which compares the business environment across 178 countries. The Report presents absolute and relative figures obtained from field studies in each country, covering start-up and exit conditions, licensing processes, contract ownership and implementation, as well as the tax environment. According to the 2008 Report, Greece's worldwide ranking with respect to the "ease of doing business" indicator has improved by 9 places, rising from 109th place to 100th.

5.1 Economic Incentives

Within the context of the **tax reform**, the business environment is improved through the following actions:

- Reduction in the corporate tax rate from 29% in 2006 to 25% in 2007 and for smaller enterprises from 22% in 2006 to 20% in 2007. The reduction has been gradual, starting in 2005 and is completed in 2007.
- Rationalization of the taxation of technical companies' profits, aiming also to increase revenues.
- Widening the range of firms' deductible expenditures.
- Extending income tax deductions from the operation of industries to manufacturing firms also.

The new **draft bill against tax evasion** promotes tax equity and clarifies further the tax environment. Inter alia, the draft law provides for the establishment of the National Council for the Fight against Tax Evasion, including representatives of the social partners and all political parties in the Parliament. The Council's competence will include submitting recommendations towards combating tax evasion, seeking out legislative weaknesses, proposing simplification procedures and periodically reviewing the penalty system. A report will be submitted to Parliament on an annual basis, including an overview of the supervision work, a re-evaluation of tax deductions and other tax issues and relevant information (on declared incomes, tax burden distribution etc.).

The **investment Law 3299/2004** has been activated under the modification of **article 37, Law 3522/2006**. The main modifications are listed below:

- Three incentive areas are defined, based on the maximum limits set in the new Regional Aid Map.
- Simplified classification of investment plans in 2 categories (down from 5) and provisions for increased support to SMEs.
- Broader coverage of supported expenses.
- Early indication of approval (within 5 days) in order to minimize delays in the realization of investment plans due to delays in the issuing of the formal decision.
- Increased incentives for setting up new SMEs, through coverage of operating expenses for the first 5 years.

The new framework provides for maximum support ranging between 25% and 60%, depending on firm size and geographical location. A set of incentives is provided for attracting private funds to priority sectors such as innovative and advanced technology products and services, facilities for applied and industrial research, renewable energy sources and tourism infrastructure. Since first enacted in March 2005 and by the end of April 2007, 3,158 investment projects have been approved with a budget of € 6,5 billion. These investments are creating directly 17,798 new jobs, not including indirect job creation.

In comparison to Law 2601/1998 that was in force during 1998-2004, the new Investment Law 3299/2004 has increased the annual average number of applications by 223% (from 680 to 2197), as well as the annual average number of approvals by 246% (from 472 to 1632). Combined with

the wide-ranging improvement of the business environment, the investment law has contributed to the recently increased share of private sector investment in economic growth.

5.2 Improvement of the Institutional Framework

5.2.1 Simplification of the Licensing Processes and Operation of Enterprises

Apart from the broader framework on better regulation and the reduction of administrative burden, treated separately in chapter 3, the business environment is further improved through the following structural measures:

Based on the new legal framework on the **licensing of manufacturing businesses** (Law 3325/2005), the operation of one-stop shops has started in certain Prefectures (Development Directorate). The new service provides integrated information regarding investment programmes and issues the required licenses (Presidential Decree 78/2006), reducing business start-up time by approximately 30%.

The **General Commercial Registry (GEMI)** will be utilized in order to further simplify business set-up and operation procedures, through the establishment of GEMI contact points and the utilization of Citizens' Service Centres as **single contact points** for businesses. The Ministry of Development, in collaboration with other competent Ministries, is preparing the relevant decrees and works to complete the necessary legislation, aiming to reduce bureaucracy in the setting up of commercial enterprises. The overall objective is to reduce the number of working days required for business set up, simplify the procedures involved and minimize the number of contact points required. In addition, a working group has been set up, preparing the MDs and decrees foreseen under Law 3419/2005 for GEMI, as well as the tender for the installment of the necessary infrastructure in Chambers. When completed, the project will rationalize and simplify registration and operation procedures and interaction with the State in general. The relevant contract has been signed and implementation is due by 31 October 2008.

Law 3604/2007 on Societes Anonymes has been voted (modifying Law 2190/1920), incorporating the provisions of the 2006/68/EC directive (modification of 2nd directive regarding the establishment of public limited liability companies and the maintenance and alteration of their capital), as well as certain provisions of the 2003/58/EC directive (regarding disclosure requirements), that had not been yet incorporated in national law.

In addition, installation has started of a pilot system for the **digitization of SA companies' records**, maintained by the General Secretariat of Commerce. Following completion of the pilot, the aim is to fully digitize records in order to improve efficiency in information search.

The competition for the complete **electronic management of trademarks** is progressing. This system will modernize the process, from application submission through to registration and the issuing of the relevant certificates.

The continuous **modernization of the Market Provision (MP)** 14/1989, is also aiming at the simplification of the business environment. The 2/2006 MP abolished 44 articles and the 1/2007 MP updated 28 articles and abolished 39 more articles. The MP 12/2003 "Determination of parking prices for vehicles in parking places" was also abolished.

Also, Law 3588/2007 on the new **Bankruptcy Code** was voted recently, covering all cases of insolvency and tackling the stigma of business failure. The new Bankruptcy Code is simple and adjusts to modern economic and social reality. It aims at: a) maximization of the creditor's assets, b) balancing the settlement of outstanding payments and the re-organization of the creditor's business, c) equal treatment of creditors in the same situation, d) prompt and effective procedures and follow-up, e) precautionary action against bankruptcy, d) prevention of bankruptcy and premature dismantling of creditors' assets.

A new institutional framework (**Law 3526/2007**) was established concerning the **setting up and operation of enterprises in the bakery sector**. Two Joint Ministers' Decisions foreseen by the law have been issued, one of which harmonises, for the first time, the process of licensing and health inspection of food stores.

In the context of measures to reduce bureaucracy and to simplify the business environment the Joint Ministerial Decision (JMD) 10551 has been signed and published on "**the simplification of licencing procedures for food and beverage establishments on sea-going vessels**". The JMD deals with the issue of long delays in the licensing of such establishments, abolishes a number of outdated provisions regarding their operation and simplifies the procedure for transferring licenses, which are now tied to the establishment instead of the owner.

Finally, **Law 3551/2007** was voted, simplifying the registration process in the registry of shipbuilding companies.

5.2.2 Land Use Regulations

National Spatial Planning is being completed through the compilation of the National Land Use Plan (General Framework for Land Use Planning and Sustainable Development), the Special Spatial Plans (Special Frameworks for Spatial Planning and Sustainable Development) for Renewable Energy Sources, Tourism, Industry, and the updating of draft Special Frameworks for the Coastal and Mountainous Areas. More specifically:

- The Ministry for the Environment Physical Planning and Public Works (MEPPPW) has completed its proposals and consultation procedures are in the final stage with regard to the National Land Use Plan and the Special Spatial Plans for Renewable Energy Sources, Tourism and Industry, in view of their implementation. These plans are anticipated to be gradually put into effect within the next six months
- Moreover, updating of the draft Special Frameworks for the Coastal and Mountainous Areas is being completed. These Plans will be given to public consultation within 2007.

The above mentioned programme is anticipated to contribute, inter alia, to the improvement of competitiveness of the Greek economy, by improving the country's attractiveness for productive investments in sectors of comparative advantage. The particular aspects of improved competitiveness that are directly linked to the proposed Spatial Planning are:

- Effective utilization of natural and cultural resources within the framework of development processes according to the principles of sustainable development.
- Increase in legal certainty through the formation of a framework of spatial directions for land use development priorities that respect the environment and resolve conflicts in land use.
- Spatially specific incentives policy.

Preparation of a draft law for **Industrial and Business Areas (VEPE)** has been completed, aimed at replacing the existing inflexible and complicated regulatory framework (Law 2545/1997). The draft bill has been submitted to Parliament.

Finally, an integrated reform is being promoted through Law 3481/2006, in order to rationalize and redefine the **National Land Registry**. Twenty two (22) Land Registry Offices were operational, and 96,000 hectares had been registered until March 2004, whereas today 90 Land Registry Offices are operational and 700,000 hectares have been registered. A new round of registrations has already started focusing on 107 Municipalities, Municipal Districts, and Communities. It is anticipated that the Land Registry will have covered 2/3 of the country by 2010.

5.2.3 Public Procurement

Measures are being promoted aiming at increased transparency and the simplification of procedures regarding public procurement. The main goal is to facilitate participation to tenders and increase competition.

In this context, three new Presidential Decrees were signed. **Presidential Decrees 59/2007 and 60/2007** incorporate into national legislation Directives 2004/17/EC and 2004/18/EC, introduce quality standards and incorporate the principles of environmental protection and sustainable development. An innovation is the provision for e-applications, such as e-auctions and the “dynamic market system”, aiming at saving time, reducing cost, enhancing competition and improving efficiency.

Presidential Decree 118/2007 establishes a new regulatory framework for public procurement. The new regulation provides for simplified procedures and broader participation both, in closed and open tenders. A stricter penalty system is introduced for violation of tenders’ terms and a number of ambiguities are being resolved. The new regulation becomes effective on 1st January 2008.

Moreover:

- **Law 3438/2006, article 13** regulates the issuing of price bulletins by Prefectural Local Administration services for certain products covering the needs of local authorities, hospitals etc, when procurement is made by appointment.
- Implementation is progressing on the National System of Electronic Public Procurement (ESIDP). ESIDP is an information technology project that aims at the creation of the infrastructure in the General Secretariat of Commerce and institutions of the Integrated Program for Public Procurement Processes, concerning the electronic submission, evaluation and awarding of tenders regarding public procurement.

At the same time, **Law 3580/2007** introduces a new procurement system for the bodies supervised by the Ministry of Health and Social Solidarity. Procurement is carried out through a network, centrally co-coordinated and controlled by the Committee of Health Supplies (EPY) and implemented by the following institutions: IFET, DEPANOM and EKEVIL. The structure of the new procurement system ensures:

- Central and rationalized programming,
- Modern supplying chain and suppression of high reserves,
- Savings in resources and time,
- Quality in products and services,
- Strict supervision, evaluation at operational and staff level.

5.3 Market Liberalization and Competition Enhancement

5.3.1 Institutional Developments – Independent Regulatory Authorities

As regards the main legislative developments in 2006, the **Hellenic Competition Commission (HCC)** issued (i) a decision on the terms and conditions for exemption or reduction of fines imposed on businesses (Leniency Program), (ii) a notice on agreements of minor importance which do not appreciably restrict competition (de minimis) and (iii) guidelines on the method of setting fines. Also, in December 2006 the HCC’s charter of operation and management was put in effect, which, inter alia, introduced new rules concerning access to file and hearing procedures.

In 2006 the HCC issued 29 decisions in total. The most important cases investigated concerned the pharmaceuticals market, the market for agricultural and dairy products, as well as public procurement tenders. HCC also launched a public consultation on measures for enhancing competition in the market for petroleum products, which was concluded in February 2007.

As regards **market inspections**, a tender is in progress for the commissioning of a study on how to significantly improve the way they are being carried out. International best practices will be

recorded and concrete proposals will be made. The aim is to maintain centrally an electronic record of market inspections' outcomes, in order to facilitate follow up and statistical inference.

In addition, the following actions are in progress:

- A tender for installing a pilot system for the digitization of SA companies' records, held by the General Secretariat of Commerce.
- A tender for installing an IT system for managing information on the issuing of medicine price bulletins and managing statistical data on price developments.
- The tender for the National Commerce Observatory, concerning the development of a mechanism for systematically analyzing commercial activity.
- The tender for the Prices Observatory, which concerns the development of a national network for collecting, processing and analyzing the prices of products and services.

5.3.2 Network Industries

5.3.2.1 Electronic Communications

The market of Electronic Communications in Greece continues to grow rapidly. Analytically, the total number of mobile subscribers amounted to 13.875.000 at the end of 2006, having increased 10,2% compared to the end of 2005. Also for the same period, the number of active mobile subscribers stood at 11.098.000, which corresponds to a 99,8% penetration in the Greek population compared to 92,2% in 2005. In June 2007, the process of the gradual reduction (glide path) of the termination fees was completed in order to reflect the cost of calls' termination cost in each mobile network.

Regarding legislation, following publication of Law 3431/2006 a series of MDs have been issued regarding the following:

- Harmonized radio-spectrum at 5 GHZ for the implementation of wireless access systems.
- Disciplinary responsibility of the members of the National Authority for Post and Telecommunications (EETT).
- Establishment of the Electronic Communications Policy Committee.
- National Regulation for the distribution of frequency zones.
- Installation of frequency spectrum monitoring station in Aigina.
- Adjustment of the deposit value for the supervision of compliance to the safety limits concerning the human exposure to electromagnetic radiation.
- Content and Process for Environmental Impacts Studies.
- National Numbering Plan (NNP).
- Definition of salaries of the members of EETT.
- Composition of EETT Disciplinary Council and definition of salaries for its members.
- Definition of Universal Service (US) Provider Selection Criteria.
- Definition of the apportionment of the universal service (US) net cost.
- Granting usage rights for radio-frequencies or radio-frequencies bands for national networks.
- Second extension of the deadline for applying the electromagnetic radiation study to the National Authority of Atomic Energy antenna.
- Definition of Universal Service Content.
- Definition of the salaries of the members of the Electronic Communications Policy Committee.
- Enforcement for providing rate options or rate packages to consumers, especially to people with low income or special needs.
- Specification and Control Plan for the electromagnetic compatibility of equipment, and
- Constitution of experts table for the support of monitoring groups.

In fixed telephony, the competition is further intensified, as alternative operators saw their market share in outgoing calls increase at the end of the first semester of 2006 to 30,7% compared to

28,3% in the second semester of 2005. Specifically, the alternative operators' share in international calls stood at 60%. As far as the Internet market is concerned, the revenues have significantly increased (by 14% compared to 2005), while the number of subscribers records a smaller increase (4% compared to 2005).

In the context of regulation, the analyses of the 17 markets, for which EETT is responsible, have been completed according to Law 3431/2006 and the Framework Directive of European Committee as well as the imposition of regulatory obligations in the operators with significant power in each of those markets. In the frame of specialization of those obligations, the decision of EETT regarding the approval of OTE's new Reference Unbundling Offer (RUO) has been completed and published. Also, OTE's new Reference Interconnection Offer (RIO) and Reference Bitstream Offer (RBO) have been approved and their publication in the Official Gazette is expected.

The Regulation for the provision of voice services via IP protocol or/and via Internet (VoIP) is in the process of Public Consultation, while EETT has already issued:

- The Regulation on the terms of use of individual radiofrequencies or radiofrequency bands.
- The Regulation for antenna mast construction licenses, which defines the procedures, preconditions and details for the antenna mast construction licensing.
- The regulation for the attribution to the Hellenic Atomic Energy Commission (EEAE) of a yearly fee for the installation and operation of antenna mast constructions.

5.3.2.2 Postal Services

In Greece, as in most EU Member States, the market of postal services is gradually opening up according to the directives 1997/67/EC and 2002/39/EC. Since 1/1/2006 the liberalization of the market has moved on to the third phase, while Hellenic Post (ELTA) is still the Universal Service Provider of postal services.

The Postal Survey Report of EETT regarding the **courier market** for 2005 has been also carried out and has been published. Based on the reports' data, the courier market which represents the liberalised part of the market, had a considerable growth in terms of handled items (+16%) and revenues (+14%) reaching the 38,54% of the total postal services market instead of 35,82% in 2004. As for the **Universal Service**, the increase of revenues and of handled items was restrained. The contract between the State and ELTA was signed on 14.12.2006, securing provision of Universal Service and determining ELTA's obligations as provider of universal service and services of general economic interest, as well as detailed issues regarding funding.

EETT also published the quality measurements' results of the Universal Postal Service for the A' and B' semesters of 2006 which are clearly improved comparing to those of 2005. The delivery percentages within one business day achieved by the Hellenic Post (ELTA) were 75,4% and 80% respectively, while the target set by the relevant ministerial decision, is 85%. The measurements are jointly effected by EETT and by the Universal Service Provider (ELTA), according to the current European standards.

Since 2000 and forth, the number of employees occupied in the courier services sector is constantly increasing. More specifically, it is estimated that, during 2005 the licensed providers, including the companies of their postal network, have occupied 10.586 employees instead of 10.152 during 2004. Moreover, during 2005, a minor shift can be noted, from part-time jobs to full-time ones.

EETT, aiming to improve the postal services provided to the consumer and promote the efficiency and development of the Greek postal market, has organized informative seminars to the biggest cities of Greece in order to inform/train the postal providers as well as other parties involved.

5.3.2.3 Electricity Market

Intensive efforts by the Ministry and the Regulatory Authority for Energy (RAE) towards internal electricity and natural gas markets liberalization continued, mostly as regards the price setting system in the wholesale market, putting into effect more articles of the new **Grid and Power Exchange Code** (issued in 2005) towards its full implementation by 2008. Furthermore, some provisions with respect to the price setting system in the whole sale market to promote better market operation. By the end of the year 2007, implementation of the new **integrated information infrastructure** of the Hellenic Transmission System Operator (HTSO/ DESMIE) is expected to support the wholesale market operation.

Based on the above, it can be asserted that **interest for the wholesale electricity market by private investors** looks more positive than during the previous years. Three private industrial groups have announced their intention to install CCGT units of total capacity in the order of 1200 MW by the end of the decade without entering into availability agreements with HTSO/DESMIE. Interest by private investors concerns the development of both new natural gas and imported coal plants (completion period 2009-2010). This activity relates to the integration of energy markets in the Southeast Europe and other conditions such as detected water reserves reduction in the area, closing of nuclear plants

It should be noted, however, that **competition conditions remain restrained** at the level of both production and supply (for 2006, market share of PPC in production was 95.3% as compared to 98.6% in 2005. Market share of PPC in supply in 2006 was 99.6% as compared to 97% in 2005).

Finally, it should be mentioned that **RAE** currently undertakes a study for **estimating the long run marginal costs** of generation, transmission and distribution of electricity in Greece and integrating therein changes in international fuel prices in the framework of improvement of the sector's competitiveness by introducing efficient invoices at the level of both network use and retail energy market.

5.3.2.4 Natural Gas Market

With respect to the **gas market**, following the implementation of Law 3428/2005 (the Gas Law), transposing Directive 2003/55 into greek legislation, RAE's activities have focused on **completing the regulatory framework** and particularly, issuing the necessary regulatory acts for the establishment of a competitive gas market in Greece.

A key development was the **establishment of the Hellenic Gas Transmission System Operator** (HGTSO) in February 2007, under the name of 'DESFA SA' which is the owner and operator of the National Natural Gas System. DESFA SA is a 100% subsidiary of DEPA SA which remains the sole importer and supplier of large customers, power producers and the local distribution companies (EPA). DEPA AE has not published unbundled accounts for the time being given the recent establishment of its subsidiary (this year). Gas companies (EPA) are preparing for the unbundling process and unbundled accounts are expected for the year 2008.

Moreover, in 2006 were set:

- TPA tariffs for the access of third parties to the National Gas Transmission System. It is noted that an independent supplier has been licensed and actively seeks out clients.
- Special tariffs for peaking power plants to further address potential competition problems in the electricity sector.
- Process, content and terms of Natural Gas Transportation Agreements.

Finally, in urban distribution, construction of low pressure networks in the three urban centers is underway, while three new licenses are being planned.

5.3.2.5 Renewable Energy Sources

Last year was also important with respect to **Renewable Energy Sources (RES)** with the adoption in **May 2006** of the new Law for the promotion of Electricity Generated from Renewable Energy Sources (RES), establishing a clear and transparent process for the issue of licenses and further promoting investments in the area of RES.

- The **enactment of Law 3468/2006** for the promotion of electricity generated by Renewable Energy Sources (RES) aims at simplifying the licensing procedures and introducing rules ensuring transparency with the objective to speed up and optimize the development of RES projects in the country. **New attractive tariffs** have been set for electricity generated by photovoltaic units resulting in increased investment interest.
- **Regulation for RES electricity generation** licensing in force since April 2007. By the new Regulation standardisation and organisation of the legislative and regulatory framework for licensing has been completed and articles with respect to speed up of procedure have been introduced.
- **Photovoltaic units' development programme: first stage** of the programme has been approved by the Minister with respect to 2006-2020 period. Plans involve the development of photovoltaic units of a total installed capacity of 500MWp for the interconnected system and at least 200 MWp for the non-interconnected islands.

Positive developments in this field result in expected participation of 15% of total gross electricity consumption originating from RES by 2010, lower than the 20.1 % target set by the Directive 2001/77.

5.3.2.6. Interconnections

In the electricity sector, **interconnection with Turkey** has been feasible on a temporary basis to strengthen cross border trade and security of supply. Project completion is expected in the first quarter of 2008.

With respect to the natural gas sector, important progress has been made as regards the issue the development of the **interconnection Italy Greece project** (i.e. the construction of both an onshore and offshore pipeline and thus enabling the flow of gas through Greece to Italy). The project is sponsored by DEPA SA and Edison SA. For the offshore part, in early 2007, the two companies filed for TPA exemption. In June 2007, the exemption was granted. Construction is expected to start in 2009. The project is considered of key importance as it contributes to the gas energy supply of the EU member states.

A new important infrastructure project currently underway is the **Turkey-Greece Interconnection**, added to the existing pipeline in the Greek-Bulgarian borders and the LNG terminal in South Greece. It is expected to be operational in the second half 2007. Initial import capacity of the Interconnector is estimated to 3.5 Gm³/year.

In the oil sector, the intergovernmental agreement between the Russian Federation, Greece and Bulgaria with respect to the construction of the **pipeline Burgas-Alexandroupolis** has been signed. The pipeline will be a supplementary route to the Bosphorus Straits for Black Sea oil transfer to the European markets, the USA and Asia.

Finally, on 23 June 2007 an **important memorandum** between Gazprom and Italian ENI was signed. It involves the construction of the off shore pipeline **South Stream**. It would start from Russia's Black Sea coast at Beregovaya, the same starting point as that of the Blue Stream pipeline to Turkey. It would run some 900 kilometers on the seabed of the Black Sea, reaching a maximum water depth of more than 2,000 meters, to Bulgaria. Two options are under consideration for the Bulgaria-Italy route. The **southwestern option would continue through Greece** and the Adriatic seabed in the Otranto Strait to southern Italy. The northwestern would run from Bulgaria through Romania, Hungary, and Slovenia to northern Italy.

As regards Greece, the specific project strengthens the geopolitical location of our country, rendering it an important link to the energy chain between Caspian Sea and the West. Furthermore, it will both improve consistently energy security and contribute to safeguarding energy efficiency of Greece.

It would not be an exaggeration to say that by implementing all three projects (Burgas-Alexandroupoli, Turk-Greek-Italian gas pipeline and South Stream) Greece will highly contribute, as a south route, to supply Europe with Caspian hydrocarbons.

5.3.2.7 Maritime Transport

As of 1 November 2002 the domestic maritime transport sector in Greece has been liberalized for vessels flying the flag of a Member State of the European Union, the European Economic Area and the European Free Trade Area, according to EU Regulation 3577/92. Within this framework, stimulating free and fare competition is among the main priorities of the Ministry of Mercantile Marine, as a critical condition for the preservation of a favorable for investments environment.

Within this context, amendments on Law 2932/2001 have been adopted regarding: (a) the abolishment of warranty as a precondition for the provision of services and (b) the right of the ship owners to submit declarations of interest at any time of the year.

Furthermore, three Ministerial Decisions by the Ministry of Mercantile Marine on the liberalization of economy class fares are expected to trigger competition and provide incentives for innovation, resulting in enhanced quality of services.

5.3.3 Privatizations

The aim of the privatization programme is to reduce state participation in the production of goods and services that are not classified as “public” and to develop the state-owned real estate property. Privatizations constitute an important means of economic policy, which should principally target the opening of the markets, the restructuring and the efficiency of the enterprises to be privatized, the attraction of private sector investments, the development of new activities by using private funds and subsequently the revenues increase for the state.

The new era of privatizations, is characterised by the substitution of the accounting approach by methods that maximize benefits for the economy. Under this scope, it has been of great importance to emphasize the maximization of value of state owned enterprises, before the actual privatization process. Thus, the government chose to privatize first mature enterprises, the “value” of which was widely recognized in the market.

During 2006, the privatization program focused on further liberalizing financial markets through the reduction of the state’s participation in the sector. In particular, with the restructuring and IPO of Postal Savings Bank, the restructuring and further privatization of Agricultural Bank of Greece and the full privatization of Emporiki Bank, the banking sector in Greece was substantially reformed, while the corresponding privatization revenues reached € 1.74 billion exceeding the target of € 1.65 billion set in the budget.

In 2007 there was successful completion of:

- The sale of 20% of the Postal Savings Bank. The offering was approximately 3 times oversubscribed and there was significant interest by institutional investors of exceptionally high quality. The selling price represents a significant premium of 0.56% on the closing price of the previous day, which is a first for an offering of state owned shares. This privatization further enhances competition in the banking sector, while revenues amounted to approximately € 500 million.
- The offering of state owned shares of the Hellenic Telecommunications Organization (OTE) to institutional investors. The shares represented 10.7% of the company’s total

share capital. The offering was successful and it did not involve any discount on the previous day's closing price. Revenues amounted to € 1,1 billion.

For 2007 the Interministerial Privatisation Committee has decided and is implementing the development of certain assets of the Touristic Development Company, such as the Faliro Marina, the Corfu Casino, the Golf Club of Afandou in Rhodes and hotels (Xenia) in various places of touristic interest in Greece.

The privatization program for the near future also includes the further exploitation of the public participation in the banking sector, as well as examining the most appropriate methods for bringing out the value of state participations in the Athens International Airport, in ports and in other listed and non listed companies.

5.3.4 Capital Markets

From the beginning of 2006 four European Directives regarding the capital market framework have been implemented into national law.

In particular, Law 3461/2006 transposed into the Greek legislation the Directive 2004/25/EC on Takeover Bids and replaced the previous Hellenic Capital Market Decision issued in 2002. The new provisions improved the corporate restructuring options for the purchase of companies listed to the stock Exchange while safeguarding minority shareholders' interests.

Greek Law 3556/2007 aligned the transparency requirements to the provisions of Directive 2004/109/EC. This new framework harmonized the information requirements for issuers of securities listed to a regulated market.

Greek Law 3601/2007 transposed into national legislation the new European capital adequacy framework for banks and investment firms in accordance with the Directives 2006/48/EC and 2006/49/EC. Law 3601/2007 adopted the new approach and policy measures for the oversight of banks and investment firms by competent authorities and set the new capital requirements according to the Basle Committee.

Law 3606/2007 implemented into Greek legislation Directive 200/39/EC on markets in financial instruments. It has established a harmonized regime for the requirements and scope of authorization and operation of firms who provide investment services and activities. The new European framework sought to safeguard investor protection as well as facilitate cross European provision of investment services and activities. Moreover, the new law abolished the stock exchange concentration rule for transactions. Furthermore, with the same law, new national provisions have been adopted for the authorization and operation of central counterparties, clearing and settlement systems for transactions on financial instruments.

Last, during 2006 the Athens and Cyprus Exchanges adopted the common platform for the carrying out of stock exchange transactions which now enables the common access of investors to both markets with no cost and facilitates further cooperation initiatives for the expansion of the south - eastern European and mediteranian markets.

5.3.5 Consumer's protection

Along with ensuring healthy competition in the markets of goods and services, valid information and effective consumer protection is the main prerequisite for the proper function of markets. The new **Law 3587/2007 on consumer protection** has been completed. The law provides, among

others, for the state's obligation to provide information to consumers, a re-adjustment of fines and simplifies compensation procedures for consumers. Furthermore:

- **The harmonisation of the national law with community legislation** has been concluded.
- A **Single Liaison Office** is operating since 29/12/2006, within the framework of the Regulation (EC) 2006/2004, concerning the Administrative Cooperation of the Member States, within the premises of the Consumer Secretariat General, Consumer Policy Division.
- The service "Consumer's Advocate" has been founded and is in operation.
- The tender for the creation of a web-based **Forum of Consumers** has been put forward.
- The project "Image study of the operation of public and private agencies on consumer protection, aiming at their interconnection and the operation of a single database for the complete information and protection of the consumer" is being promoted, within the framework of the national programme "Competitiveness".
- The operation of the **European Consumer Center** continues.
- The creation and the operation of the **West Balkans Consumer Protection Network** has been accelerated, while a **Network of Euro-Mediterranean Cooperation**, on issues of consumer information (**Consumers in Action – ConACT**) is being implemented, within the framework of CIP INTERREG.
- The successful operation of the **Consumer Hot-Line (1520)** has continued. In comparison with 2005, in 2006 an increase of 15% of the use of the public has been noticed.
- A series of **information actions** has been implemented, along with the participation in conferences and congresses concerning issues on consumer education, consumer consciousness and promotion of sustainable consumption.

In addition the Hellenic Food Authority (EFET) and the services of the Ministry of Food and Agriculture have intensified their activities regarding market inspections.

5.4 Enhancing Entrepreneurship

Following the modification of the **Investment Law** 3299/2004 by article 37 in Law 3522/2006, the state financing ceiling is set at 60%, including support up to 20 percentage points to SMEs and 5% for new businesses. The modified investment law (a) provides for a wider range of investment plans (logistics, RES, tourism) and extends or re-defines existing ones, (b) re-defines key concepts on innovation and high-tech, (c) major business plans at the Ministry of Development are re-defined (2-5 years) and their implementation is extended to SMEs.

The **Observatory for Youth Entrepreneurship** was set up within the Secretariat General for Youth in accordance with article 8, under Law 3577/2007. It aims at supporting young entrepreneurs and developing an entrepreneurial culture in young people, by collecting, registering and processing data on entrepreneurship and by providing information to all people concerned. More specifically the Observatory is involved in the following activities:

- Is equipped with a mechanism for collecting macroeconomic and microeconomic aggregates and data and other information relating to the business environment.
- Works with the Young Entrepreneur Counters on data collection and information dissemination.
- Processes these data to generate structured and adequate information.
- Prepares surveys on entrepreneurship and promotes their conclusions.
- Provides relevant information to all people interested, mainly via the internet, but also using any means available.
- Works together with public and private agencies operating in the fields of employment and entrepreneurship, in order to exchange information and know – how and with a view to coordinate their actions when the latter pertain to the young.
- Compiles and publishes annual reports with conclusions identifying the fields requiring interventions, in order to improve their business environment.
- Launches initiatives for informing the public, notably the young.
- Plans and implements projects in the context of the education system aiming at making young people familiar with the entrepreneurial culture and action.

The resources for the annual cost of the Observatory (€350,000) is provided by both the O.P. “Education and Initial Vocational Training” and by the regular budget of the Secretariat General for Youth.

Additional actions are being promoted by the Secretariat General for Youth aiming at improving the business environment and enhancing young entrepreneurship. Taking into consideration the encouraging results of the pilot implementation of the **Entrepreneurship Counters**, the network’s expansion throughout Greece has been planned and is being promoted. The entrepreneurship counters will provide technical support services to young entrepreneurs as well as assistance regarding how to set up a business (legal framework, marketing issues etc). Cooperation memoranda with the various Greek regions have already been signed whilst their funding by the O.P. “Education and Initial Vocational Training” has already been approved. The project will comprise two stages and the cost of the first one has been estimated at € 4 million.

In addition, new actions have been designed, tendered and are being implemented within the Ministry of Development’s O.P. “Competitiveness” in support of entrepreneurship in specific social groups:

- Supporting Entrepreneurship for parents with three children,
- Supporting Entrepreneurship for Roma people.

5.5 Small and Medium-sized Enterprises

The Ministry of Development is implementing since September 2006 through the **Credit Guarantee Fund of Small and Very Small Enterprises** an action on the subsidization of loans taken up by SMEs. The subsidization covers the interest rate on the loan by 4 percentage points for SMEs with up to 20 employees and a business cycle up to €10 million. There have been very positive results. Since September 2006 and by 30 June 2007, 1,111 applications have been approved for loans totaling €110,1 million, and total subsidization amounting to €23,3 million.

The **Body of Volunteer Expert Consultants for SMEs (SOSME)** has been drawn up. The respective draft law has been completed and will soon be brought to Parliament. SOSME is designed as a flexible, reliable and practical support mechanism, which combined with the Ministry of Development, EOMMEX and other competent bodies will contribute to increase understanding and ultimately solving the problems faced by SMEs, by providing expert services free of charge.

The Ministry of Development has announced action 2.7.5 based on the **De Minimis regulation in support of the textile, clothing, footwear and leather industries**. 366 investment plans have been included amounting €42,9 million, with public expenditure in the amount of €23,5 million.

A new action on the **support of regional press through digitization of business activities** has been announced, drawn up in cooperation with the General Secretariat of Communication (Action 2.7.4). 234 investment plans have been included amounting to €3,9 million, with public expenditure in the amount of €2,1 million.

The programme **Digital Future** is implemented within the context of the Digital Strategy (chapter 4.3) 941 investment plans have been submitted, of which 786 have been approved, amounting €153,7 million. Public expenditure is €71,8 million.

Within the context of the Regional Investment Programmes, support is provided to SMEs in urban development regions in the sectors of manufacturing, tourism, trade and services. 4,427 applications have been submitted amounting to €440 million, with public expenditure in the amount of €260 million.

An international conference was organized jointly with the OECD in November 2006 on the elimination of access barriers to SMEs in international markets. At the conference (a) the Athens

action plan was adopted and (b) an initiative was announced for creating a mechanism for the cooperation between multinationals and SMEs, with the aim to facilitate their international orientation.

As part of the implementation of impact assessment of new legislation on businesses², specific action is taken for the assessment of the impact on SMEs in particular. Furthermore, a study has been commissioned on the current situation and future prospects of domestic SMEs. Finally the Ministry of Development has announced the action on the reward of manufacturing enterprises according to the national standard of business excellence.

5.6 Venture Capital

The national strategy for the development of the venture capital market the support of SMEs is implemented through the New Economy Development Fund (TANEO).

TANEO has already set up 4 venture capital funds, investing in dynamic domestic firms, exhibiting significant growth and are leading in their respective sectors. One such investment is rated among the ten most innovative domestic enterprises, while another is among the fastest growing industrial firms in Greece. As an indication it is noted that the investment activities of a single venture capital fund over the last three years have been growing at an annual average rate of 130%, while employment by 80%.

Venture Capital Fund	Assets Managed	Number of businesses	Sectors of investment	New jobs
Capital Connect Venture Partners	€ 24,000,000.00	5	Informatics, Medical equipment, Recycling, Advanced applications in agricultural product development	27
Zaitech Fund	€ 30,000,000.00	6	New technologies, Informatics, Industry, Energy, Advanced applications in agricultural product development	584
IBG Hellenic Fund II	€ 17,000,000.00	5	Energy, Informatics	9
Pancreta Development Fund	€ 3,000,000.00	n/a	n/a	n/a
Total portfolio	€ 77,000,000.00	16		620

TANEO is currently considering proposals for the development of further venture capital funds that will mobilize total assets of €300 million for domestic SMEs, thus exhausting all assets under its management.

The proposals under consideration concern 8 new investment groups. These will be set up through funds from major Greek banks, international financial organizations, private domestic and foreign investors in industry and shipping, with TANEO's co-funding. The new funds are expected to be mobilized within the next six months and will focus in the sectors of biotechnology, RES, biofuels, advanced technology, robotics, health, logistics, modern construction and generally, the development of advanced products and services.

The recent opening of the Alternative Market in the Athens Stock Exchange encouraged venture capital investment, promoting the development of dynamic businesses and creates a modern and effective framework for institutional investors and entrepreneurs. Many of TANEO's venture capital funds' investments are already preparing to file for their enlisting in the Alternative Market with very encouraging prospects.

² More information is provided in chapter 3.4.

The operation of TANEQ is perfectly aligned with the goals of the Lisbon Strategy regarding the support of SMEs, the enhancement of entrepreneurship and the promotion of innovation and knowledge.

5.7 Promoting External Openness

A particularly significant qualitative characteristic of the recent economic growth in Greece has been the increased contribution of goods exports in the annual GDP growth rate. In 2005 goods exports' contribution to GDP growth was 18.6% and rose to 22.3% in 2006, compared to an average contribution of just 3.8% during the period 1996-2004. During the first four months of 2007 the total value of exports increased by 14.2%, while the receipts from services exports increased by 5.2% between January and March 2007. Furthermore, revenues from tourism grew by 10.8%. In addition, foreign investment picked up in 2006 with FDI inflows amounting to € 4,3 billion, the highest inflows in the last decades.

5.7.1 Export Policy

The draft law for the **overhaul of the National Customs Code** has been completed. The new code brings the national legislation in line with EU legislation and conforms to decisions and opinions issued by the supreme administrative courts and the state's legal council. The new code promotes external trade and facilitates the implementation of the Integrated Customs Information System in 88 customs services throughout the country. Furthermore, it improves the operation of customs services and promotes efficiency.

Of particular significance is the role of the **Hellenic Foreign Trade Board (HEPO)**. HEPO has been actively promoting Greek exports and is playing an increasing role in coordinating export activities in the periphery and facilitating the openness of SMEs. From 2004 until end 2006 HEPO implemented a total of 215 actions for the promotion of Greek products, covering almost the whole range of Greek products and services. These actions have set the ground for collaboration between domestic and foreign businesses in 53 countries. Particular emphasis has been placed in the promotion of the food, wineries and drinks sector.

5.7.2 Tourism

Tourism is a particularly important sector for the Greek economy. Based on Bank of Greece data, the revenues from tourism in 2006 reached €11,5 billion, increasing by 2% compared to 2005. The dynamic development of tourism is the outcome of coordinated action both, regarding legislative action and **strategic promotion**. In 2006, €50 million were invested in promotion campaigns abroad and domestically.

Several legislative interventions (medicinal tourism, official rating of hotels etc.) have provided solutions to long-standing problems. An important development is the **Specific Spatial Plan for Tourism**, which is currently under public consultation. Among the main priorities of the specific spatial plan for tourism is the touristic development in the periphery, by promoting the development of specific forms of tourism, according to regional characteristics and potential. The introduction of new products such as touristic residence is being considered and the possibilities for development in Greece are being explored.

As regards investment, the new, modified **investment law** (see chapter 5.1) provides strong incentives for investing in tourism infrastructure, such as hotels, theme parks etc.

In the context of EPAN, until end of June, absorption stood at 77% (€ 218 million) concerning actions on:

- modernisation of lodgings,
- differentiation of Greek touristic product, through new forms of tourism,
- creation of cultural networks,

- routes of cultural tourism,
- construction of anchorage,
- development of ecotourism,
- reformation and upgrading of tourism education and training, creating networks for national and international collaborations, interconnection of education with production and continuous training of workers.

Two Xenia hotels (Tsagarada and Thassos), are in the final stage of **privatization** through the **Tourism Development Company**. Two more Xenia hotels (Bytina and Skiathos), are in the first phase, as is also the tender for the development of two big real estates (Afantou in Rhodes and Anabyssou in Attica). Moreover, a tender has been announced for the privatization of the Casino in Corfu (currently in phase one), while the Faliro marina is in the second stage of the privatization process. Also, the supervisory mechanism of the Hellenic Touristic Organization was incorporated in the Regional Services of Tourism, in order to improve its speed and effectiveness.

Regarding **tourism education**, ASTER and ASEAN are being upgraded and re-named Academies of Hotel Studies. The vacancies for the respective academic posts have already been announced. Among the main priorities of the Ministry of Tourism is the promotion of research and innovation.

The study on the **strategic marketing** of tourism is at a final stage, setting the target markets and ensuring the strategic promotion of the touristic product. The tender for the **tourism portal** is at a final stage and the system of satellite tourism accounts as well as the Tourism Observatory have been commissioned.

Lastly, it should be noted that culture tends to develop into a comparative advantage for the development of high income tourism and alternative – thematic forms of tourism, including forms of tourism that tend to extend the touristic period. The following is noted regarding the actions on Cultural Heritage that concern interventions in monuments and museums:

- o Significant progress has been made as regards museums, as a national network extends almost across the whole of Greece.
- o Regarding monuments, restoration, preservation and repair needs in the most significant monuments have been addressed to a large extent.
- o Regarding modern culture, efforts are primarily concentrated in large urban centres, trying to cover decade-long needs.
- o New cultural institutions have already been established (international book exhibition) and the development of others is promoted (modern art biennale, European theatre award, archaeology and tourism etc.) which attract tourism and create new jobs. The programme Education-Culture aims at developing a lasting relation with culture to the younger generation.

Results are already visible. The following table summarizes data on museum and monuments visitors during 1998-2006.

Table 5.7.2.1 Visitors in museums and monuments, 1998-2006

	1998	2000	2002	2004	2006
Museums	2,236,302	2,061,887	2,687,649	2,501,967	2,795,465
Archaeological Sites	6,608,240	6,416,439	6,674,810	5,788,289	7,516,665
Total	8,844,542	8,478,326	9,362,459	8,290,256	10,312,130

Source: National Statistical Service

The dynamic that has developed brings out the close relation between Culture and Tourism and particularly high standard tourism. A recent research indicates that the most popular destinations for conferences or motivation travelling are Athens, Crete and Rhodes, that is, destinations with significant cultural heritage. These three regions attract 56% of visitors in archaeological sites and

35% of museum visitors. The tourism industry is an important development tool for Greece, creating constantly new opportunities for investment, employment and growth.

5.7.3 Foreign Direct Investment

Foreign Direct Investment in Greece reached record highs in 2006, mainly due to intensive financial sector activity. According to the OECD Report on FDI developments in 2006 and the trends recorded in 2007, FDI inflows and outflows in Greece have picked up significantly.

Specifically, residents' direct investment abroad amounted to € 3,3 billion in 2006, up from € 1,17 billion in 2005, while net inflows by non-residents into the domestic economy amounted € 4,3 billion (or 2.2% of GDP), an almost nine-fold increase over the 2005 inflows of € 0,49 billion. The record high inflows in 2006 are primarily due to two major acquisitions in the financial sector, namely the acquisition of Emporiki Bank by Credit Agricole in the amount of € 2,1 billion and the acquisition of 31.5% of Marfin Financial Group by Dubai Financial in the amount of € 392 million. Further important sources of inflows in 2006 were the acquisition of Q-Telecommunications by Apax and Texas Pacific in the amount of € 298 million and the increase in the share capital of Unilever Hellas, covered by the parent company in the amount of € 203 million.

The **Hellenic Centre for Investment (ELKE)** is the competent national institution on FDI. Apart from activities aimed at attracting FDI, ELKE is also providing support and consultation for the successful implementation of investment plans. Over the last 12 months ELKE's activities focused inter alia on the following:

- The promotion of Greece as an investment destination through the marketing programme "One-on-One", resulting in the establishment of 15 foreign subsidiaries in 2006, operating primarily in the energy sector and in tourism.
- Provision of integrated information services to more than 350 prospective investors.
- The programme for "unlocking" major investment projects. Action was taken against problems that arose in the implementation of 10 investment projects.
- The provision of "after care" services, facilitating additional investment by firms that are already active in Greece.
- The FDI Observatory providing information to all parties concerned.

6. Employment

In the context of the integrated strategy for growth, strengthening employment and social cohesion, particular emphasis has been given on actions enhancing the skills of the workforce, strengthening active labour market policies and promoting the employment of women, young people, immigrants and vulnerable social groups. The favourable macroeconomic environment together with a series of interventions for promoting employment and social cohesion led to the improvement of employment and unemployment indicators over the period under consideration. It is noted that the effect of growth in employment (labour content of growth) in the Greek economy has improved in the past few years. The elasticity of employment in relation to the growth rate of GDP, in other words, the possibility of growth to create jobs, is 0,4, reaching the relative elasticity in the Euro area (0,5)³.

6.1 Progress regarding European and National targets.

6.1.1 Labour Force and Employment

In 2005, total employment rate amounted to 60.1%. Thus the target set in the National Reform Programme 2005–2008 was achieved, whilst the upward trend in 2006 (61%, see table 6.1.1.1) is a positive step towards achieving the targets of 62.5% in 2008 and 64.1% in 2010. This increase

³ Source: Draft Budget 2008

stems from an increase in the employment of persons over 25 years old and an increase in the employment of women. Regarding women, their employment rate improved, increasing from 46.1% in 2005 to 47.4% in 2006. However, it continues to be lower than the corresponding rate of men (74.6% in 2006 compared to 74.2 in 2005).

In 2006 the activity rate of the population aged 15-64 was 67.0%, showing a small increase in relation to 2005 (66.8%). The activity rate of men was 79.1%, slightly less in relation to 2005 (79.2%). The activity rate of women was 55.0%, higher than 2005 (54.5%), but much lower than the corresponding rate of men.

The employment rate of older workers (aged 55-64) improved and amounted to 42.3% in 2006 compared to 41.6% in 2005. The employment rate of women in this age group (26.6% in 2006, 25.8% in 2005) was also very low compared to the corresponding rate of men (59.2% in 2006, 58.8% in 2005).

Table 6.1.1.1: Total employment rate (%) and employment rate by gender in Greece (persons aged 15-64)

Year	Total	Men	Women
2001	56.3	71.4	41.5
2002	57.5	72.2	42.9
2003	58.7	73.4	44.3
2004	59.4	73.7	45.2
2005	60.1	74.2	46.1
2006	61.0	74.6	47.4

Source: Labour Force Survey, Eurostat

6.1.2 Unemployment

The steady downward trend of unemployment continued in 2006 and reached 8.9%, compared to 9.8% in 2005. The downward trend continues through 2007, approaching 8.1% in the 2nd quarter of the year, compared to 8.8% in the corresponding quarter of 2006, according to the latest available data of the National Statistical Service (ESYE).

Specifically, in 2006 male unemployment rate in Greece was 5.6%, lower than the corresponding rate in 2005 (6.1%) and it is further reducing to 5.0% according to data of the 2nd quarter of 2007 (2nd quarter 2006: 5.6%).

Women's unemployment rate dropped to 13.6% in 2006, from 15.3% in 2005 and it is further reduced to 12.6% according to data of the 2nd quarter of 2007 (2nd quarter 2006: 13.4%). It should be noted that the drop in unemployment, particularly that of women, is larger than expected.

The structure of unemployment per age group shows higher rates of unemployment among young people aged 15 – 24. The unemployment rate of young people in 2006 was 25.2%, down from 26% in 2005.

Table 2: Total unemployment rate (%) and unemployment rate by gender in Greece (for ages 15 and over)

Year	Total	Men	Women
2001	10.7	7.1	16.1
2002	10.3	6.8	15.6
2003	9.7	6.2	15.0
2004	10.5	6.6	16.2
2005	9.8	6.1	15.3
2006	8.9	5.6	13.6

2007*	8.1	5.0	12.6
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Source: Labour Force Survey, Eurostat

*Source: LFS, 2nd quarter 2007, ESYE

6.2 Reinforcing Active Labour Market Policies

6.2.1. Modernisation of Public Employment Services

According to the legislation in force, the main implementation body of the governmental policy for promoting employment and combating unemployment is OAED (Greek Manpower Employment Organisation). The activity of OAED is now structured on an outward looking rationale, through organised and systematic procedures to approach the market. Its aim is to provide information regularly on the availability of the different categories of unemployed persons and on the incentives offered for their employment.

The qualitative upgrading of the individualized approach and special counselling on job seeking provided to the unemployed includes their training in utilising specific tools (drafting a curriculum vitae, interview skills) in approaching businesses, etc. Such activities strengthen the position of the unemployed and develop the conditions for matching labour supply and demand.

The gradual development of OAED Management Information System (MIS), which incorporates and upgrades the existing applications, includes the management and monitoring of all services provided. The operation of the system permits the development of further interactive services between unemployed/employers and the automated management of labour supply and demand.

In addition, the operation of 121 Employment Promotion Centres (KPA) contributes to a more effective matching of labour supply and demand.

Law 3518/2006 foresees the unification of the Public Employment Services (PES) and Local Services and their transformation into one-stop shops. This way the customer-oriented operation of the KPA will be strengthened and services provided will be enriched, thus increasing their efficiency. The link of the PES with the Citizen Service Centres (KEP) is also explored in order to broaden the net of services provided (KPA2). It is noted that the further improvement of the PES to one-stop shops consists a Systemic Intervention of the O.P. "Human Resources Development" 2007-2013 of the Ministry of Employment and Social Protection.

The following tables include data given by OAED about registered unemployment, individualized approach and the number of beneficiaries.

- **Number of registered unemployed persons**

2006	
Average number of unemployed persons	444,805
Average number of persons seeking employment	366,967
2007	
Average number of registered unemployed (1 st five months)	434,996
Average number of persons seeking employment (1 st five months)	328,654

Source: OAED

- **Number of tailor made interventions (individualised approach)**

From 1/1/2006-31/12/2006	273,514
From 1/1/2007-31/5/2007	89,924
Total	363,438

Source: OAED

- **Number of job placements (not falling under a programme)**

From 1/1/2006 - 31/5/2007	68,912
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Source: OAED

- **Number of beneficiaries through employment programmes (New Jobs Programme, New Self-Employed Programme, STAGE)**

From 1/1/2006 -30/4/2007	62,500
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Source: OAED

Both, placements through employment programmes and placements not falling under a programme increased OAED's share in the labour market to approximately 10%, which demonstrates the significant effort made over the period 2006 – 2007.

6.2.2 Active Labour Market Policies

Specific emphasis is given to **Active Labour Market Policies** in order to motivate unemployed persons and to increase mobility in the labour market. More particularly, OAED implements a range of programs, such as subsidised employment (New Jobs Programme), subsidised self-employment (New Self-Employed Programme) and Acquirement of Job Experience Programme (Stage). The programmes mentioned above, in many cases, are focused on geographical areas (emphasizing on the periphery), thematic fields, or population groups. As an illustrative example, can be mentioned a subsidised employment programme for 20,000 unemployed persons aged from 18 to 64 years old which is going to be implemented in the near future, converting the unemployment benefit into employment subsidy. The programme, which is known as “**The first employee**”, aims at:

1. supporting firms without employees (self-employed) to hire their first employee,
2. supporting the very small and small enterprises (up to 25 employees)
3. supporting directly those who have been fired, especially the older, to re-enter to the labour market (men over 50 years old and women over 45 years old).

It is noted that 60% of the participants in this programme should be women.

Special programmes of **integrated interventions** concerning prefectures of the country that are particularly affected by unemployment have been promoted. These interventions implement programmes providing combined services of counselling, training, increased subsidy for enterprises to create new job positions and increased subsidy for unemployed to start up a new business. As an example, it can be mentioned that during the last quarter of 2007, have been approved integrated interventions for 12 prefectures of the country, concerning 8,000 unemployed persons and financed through national resources.

6.2.3 Promotion of Youth Employment

Regarding the promotion of youth employment, and in accordance to the conclusions of the March 2006 European Council (“by the end of 2007 every young person who has left school and is unemployed should be offered a job, apprenticeship, additional training or other employability

measure within six months, and within no more than 4 months by 2010”), the following should be noted.

General programmes (addressed to all unemployed persons) implemented by OAED (New Jobs Programme, New Self-Employed Programme, Stage), as well as integrated interventions at local level, result in benefiting a significant number of unemployed people of this age group. Besides these, special programmes targeted to the inclusion of young people in the labour market are being implemented. A total number of 13,000 persons up to 25 years old (representing 21% of the total number of ALMPs beneficiaries) have participated in all the programmes mentioned above (general programmes and 8 targeted programmes) during the period 1.1.2006 – 30.4.2007.

It is noted that, in the context of targeted programmes, after the successful implementation of the Young Scientists Programme 2006 (with 3,300 beneficiaries) through the O.P. “Employment and Vocational Training”, a new programme for young scientists has been announced for 2007. This concerns the subsidy of scientists up to 32 years old (or 40 years old for doctors or women who have at least one child under age), who want to start up their own businesses, within 4 years from their graduation. The subsidy amounts to €12.000 per beneficiary and the estimated number of beneficiaries is 6,000 persons.

It is also noted that the strengthening of youth employment consists one of the main objectives of the O.P. “Human Resources Development” 2007-2013.

6.2.4 Promotion of Women’s Employment

With respect to the promotion of women’s employment, in all regulatory public administration deeds (concerning the implementation of vocational training programmes, counselling, supporting services or employment promotion programmes) there is a quota of 60% in favour of women in all interventions carried out through the O.P. “Employment and Vocational Training”.

A special integrated intervention has been designed and is being currently implemented, combining counselling on how to enter into the labour market by either acquiring work experience, subsidization of an employment position, or setting up an independent business activity. By this special programme, a total number of 3,880 women will be benefited. In addition, women’s participation is promoted with increased incentives and specific quotas in all of OAED’s programmes. It is worth mentioning that in all New Self-Employed Programmes, women who have children under 6 years old, or who take care of relatives with disabilities, are given the option of using their own residence as the headquarters of their enterprise. As a result, a total number of 40,500 women benefited from the employment and self employment programmes during the period 1.1.2006 – 30.4.2007.

Moreover, it is currently underway the project “Positive actions in favour of women in Small-Medium and Large Enterprises”, implemented by the General Secretariat for Gender Equality in the framework of the O.P. “Employment and Vocational Training”. This project aims at assisting women working in small-medium-sized and large enterprises to obtain additional qualifications, in order to promote their career in the enterprise on more favourable terms. Approximately 1,300 women have benefited in 2006 and in the first semester of 2007. For the second round of this project 143 Plans, with a budget of €14.2 million, have been approved and the beneficiaries will be in total 19,800 women.

The Research Center for Gender Equality, supervised and funded by the General Secretariat for Equality, has started the implementation of a programme regarding the provision of counselling services, entitled “Improvement of the conditions for the inclusion of women from disadvantaged groups into the labour market”. The programme aims at encouraging women enter the labour market, supports their entrepreneurial activities and promotes women into employment.

In order to support women's employability and reconcile work and family life, the Ministry of Employment and Social Protection provided for the continuation of the co-financing of about 460 Child Care Facilities (nurseries and day care centres, children's creative play centres etc) until 31.08.2008 (the previous deadline of ESF co-financing was 30.06.2007). By then, the new institutional and regulatory framework will be enacted, regarding the operation of accessible and financially affordable child care facilities, through the targeted (individually-tailored) support of women, according to the approved Action Plan by the European Commission, which was timely submitted to the Commission Services on 30.04.2007. It is noted that these facilities, employing 1,152 persons (mainly women), have a capacity of approximately 14,000 beneficiaries.

6.2.5 Special Programmes for Older Workers

All programmes of Subsidised Employment and Self Employment are addressed to unemployed aged 18-64 years old.

Furthermore, OAED is implementing specific interventions for older workers, such as a programme subsidizing businesses for hiring 10,000 unemployed persons older than 45 years old and another programme for hiring unemployed persons who are close to retirement age. Over the period 2007-2008 a significant number of unemployed belonging to this category (2,250 people) stand to benefit from this programme. A total of 5,150 persons benefited from the employment/self employment programmes during the period 01.01.2006 – 30.04.2007.

On 04.04.2007 the "Special Social Solidarity Fund" (E.T.K.A.) was established (Law 3552/2007). This Fund is addressed to long-term unemployed, as well as those made redundant due to the restructuring process of the businesses employing them. The beneficiaries should be over 50 years old and should have worked in businesses in declining sectors of economy, that are located in regions with unemployment rate double than the average national rate. The measures financed by the new fund include welfare payments for the unemployed participating in training and re-training activities, subsidies for geographical and vocational mobility, as well as grants for the unemployed who provide social services.

6.3 Modernisation of Benefits System for the Unemployed

A provision, which will be endorsed in the next few months, specifies that an unemployed person who has twice (2) refused employment offered in his/her wider professional area or who does not accept to attend vocational training by OAED, or other bodies collaborating with OAED, is deprived of his/her claim to welfare and unemployment status with respect to regular unemployment benefits. The term "employment in the wider professional sector" refers to employment that falls under the group of professions or specialities that relate to the last employment or vocational training, knowledge or experience of the insured person, and where the place of employment is up to 30 km away from his/her permanent residence, on the condition that the route is served by public transport. The relevant professions or the specialities that constitute the wider professional sectors are determined in wide groups by decision of the Minister of Employment and Social Protection that is published following an opinion made by the Administrative Council of OAED.

6.4 Improvement of Matching of Labour Supply and Demand

In the context of the O.P. "Human Resources Development" 2007-2013, the development and operation of an **Internet Portal to match labour supply and demand** is foreseen (Internet Portal following the standards of the community portal EURES). The portal will be open to all actors involved in matching labour supply and demand, whether in the public or the private sector, local government, universities etc, provided only that they are accredited to meet a minimum level of quality assurance. Particularly in respect of the type of work offered, which must fall under the heading of legal and generally accepted forms of employment. In this portal, on the one hand, everybody will have the ability to enrol on a voluntary basis, with no discrimination between

unemployed, employed or persons outside the labour market, and, on the other hand, employment opportunities posted by companies. The operation of the portal will encourage the development of cooperation between the actors involved in matching supply and demand in the labour market, as well as various forms of synergies. This portal will be managed by OAED with the active involvement of social partners and the National Centre for Vocational Orientation (EKEP).

In addition, OAED promotes contracts of ALMPs to other certified actors. Such bodies could belong to the public and private sector of the economy, local government, tertiary education, NGOs etc.

Furthermore, in the context of the O.P. “Human Resources Development” 2007-2013, the development and implementation of an **Integrated System for the definition of Labour Market Needs** (Subsystem 1 ESSEEKA) is foreseen, as a systemic intervention with specific roadmap and action plan. The purpose of the System is the ongoing study, recording and documentation, using standard and reliable methods, of the needs of the labour market in terms of human resources. This entails the definition of the professions related to these needs, by skill area and professional level, as well as a definition of the contents of these professions. The implementation of the intervention will require the adoption of initiatives for the development and operation of a single methodological, organisational and administrative platform, in the form of an Integrated Survey System of Labour Market Needs, at national and regional level, with exploitation of the capabilities of existent agencies and structures (SEPE, OAED, Employment Observatory (PAEP), National Accreditation Centre (EKEPIS), National Statistical Service (ESYE), Observatory IS, Tourism, SMEs, etc.) for an early identification of problems, in cooperation with local actors. The intervention will be developed by PAEP S.A.

Moreover, OAED with the **Guaranteed Employment Programme Contracts** aims at linking directly vocational education and training with the labour market. This project is implemented through guaranteed employment contracts signed between OAED and professional associations, companies and/or groups of similar companies. Through these Contracts OAED identifies the unemployed, designs, finances and implements special training programmes, tailor-made for each company, including on-the-job training within each firm.

6.5 Promoting the Adaptability of Employees and Enterprises

Promoting the adaptability human resources and enterprises is a priority of the Ministry of Employment and Social Protection for the next programming period. In more detail, the relevant Priority Axis of the O.P. “Human Resources Development” 2007-2013, has a budget of about €539 million, and aims at strengthening the competitiveness of companies and, at the same time, improving the qualifications and skills of the labour force (employees, employers and self-employed) through the implementation of re-designed and upgraded programmes of vocational training and lifelong learning. These programmes will respond to the needs and trends of the labour market, with the active involvement and assistance of the social partners. In addition, the development of policies and services designed for foreseeing and managing economic change will be pursued. In this context actions will be implemented regarding the following issues:

- promotion and dissemination of innovative forms of work organization
- promotion of labour productivity and quality at work, including improvements in health and safety
- response to massive dismissals
- encouraging the active participation of older workers (active ageing)
- support of the transition, between job positions, including geographical and professional mobility
- development and dissemination of Corporate Social Responsibility in Enterprises.

6.5.1 Flexicurity

In Greece an adequate institutional framework in relation to flexible forms of employment is already implemented. Nonetheless, flexible forms of employment appear to be unattractive to both employers and employees. Although the rates of flexible forms of employment have increased (part time employment 5.7% in 2006 compared to 5.5% in 2005), they are still below EU average. However, the high levels (%) of self employment in Greece should be taken into account (29.8% self-employed with or without employees in 2006⁴).

Law 3385/2005 which refers to working time arrangements and the improvement of overtime work continues to be implemented. According to provisional data for 2006 the use of work time arrangements is limited. Only 7 companies asked to make use of this provision, while, regarding overtime work, the use of the pertinent provision has increased both regarding the number of companies (115 in the 1st semester 2006 from 93 in the 1st semester 2005) and the number of employees (34,031 in the 1st semester 2006 from 29,535 in the 1st semester 2005).

Regarding the evaluation of the operation of Private Employment Agencies (EPA), the number of temporary workers increased to 8,886 persons in 2006 from 8,269 persons in 2005.

The implementation of Law 3250/2004 resulted to 9,646 persons having been employed under part time contracts in 1,164 local authorities' actors from January 2005 until March 2007⁵. To further improve the attractiveness of part-time employment in the local government, the abovementioned law has recently been amended by Law 3536/2007, which foresees i.e. special action plans conducted by the local authorities for unemployed persons due to mass dismissals or company closure on the condition that they reside in the area of the corresponding territorial jurisdiction.

The effort focuses on the implementation of the institutional framework, its acceptance by social partners and the analysis of its results. Our objective is to safeguard that any new initiative to increase flexibility would not have an impact on employees' security. Our main position is that any initiative to develop flexicurity policies should be undertaken ensuring the broadest possible social consensus. In such a context, the active participation of all stakeholders is considered necessary.

6.5.2 Dialogue on the Green Paper on Modernising Labour Law

In the context of the preparation of the national position on issues set forth in the European Commission Green Paper on the modernization of labour law⁶, an extensive consultation took place with social partners, political parties and other bodies. The dialogue resulted in setting 4 priorities, which the Government will promote in the immediate near future. Specifically, the interventions must aim at expanding the protection to workers in informal forms of employment, defining the framework for economically dependent employment and clarifying the grey areas between subordinate employment and self-employment, tackling undeclared work and facilitating the transition between different employment statuses and unemployment.

In March 2007 a Special Scientific Committee was established with the participation of distinguished academics in the sector of labour law. The task of this Committee is to study issues put to the 27 EU member states in the European Commission's Green Paper on Labour Law. The Committee will focus on identifying the problems stemming from developing flexible working relations and new forms of organization for companies and will also propose the required adjustments for modernizing labour law. This Committee's first report is expected to be available by the end of November 2007.

6.5.3 Continuous Vocational Training (CVT)

⁴ Source: LFS, ESYE

⁵ Source: Ministry of the Interior

⁶ COMMISSION OF THE EUROPEAN COMMUNITIES, COM(2006) 708 final, 22.11.2006

One of the main measures contributing to the enhancement of the adaptability of companies and employees is the implementation of Continuous Vocational Training measures.

During the current programming period, in 2006, 10,285 unemployed, 5,064 self-employed and 34,044 civil servants participated in vocational training programmes through the O.P. “Employment and Vocational Training”. In addition 12,900 employees in SMEs participated in in-company training through the same O.P. Furthermore 13,000 persons participated in CVT actions through Regional O.P.s in 2006 and in the 1st semester of 2007, while, during 2006, 7,466 persons benefited from in-company training or CVT through the O.P. “Competitiveness” (Ministry of Development).

For the next programming period, through the O.P. “Human Resources Development”, the participation of workers (besides civil servants and teachers) and self-employed in training is foreseen to increase from 0.9% in 2007 to **7% in 2015**.

In addition, the Ministry of Employment and Social Protection, through a “programming agreement”, **will provide up to 2% of the O.P. “Human Resources Development” 2007-2013 funds to the social partners**, with the scope to improve their capabilities and to promote their active participation in planning and in the implementation of employment and social cohesion policies. To be more specific, these funds will be allocated initially to the improvement of their statutory capacity in respect of planning and implementation of ESF policies and programmes and mainly for joint actions (especially those related to improving adaptability of employees and enterprises). The planning, organization and implementation of these joint actions will be conducted by the social partners themselves.

It is noted that in order to improve the attractiveness of CVT and to increase the participation rates, the creation of a specialized body has been decided to promote CVT programmes, responsive to the needs of companies and employees, as well as to emerging challenges. This role is expected to be undertaken by Vocational Training S.A., as an intermediary management body. The customer-oriented approach of this specialised body will have the following aims:

- Improving the human resources of SMEs, particularly in relation to the development of horizontal skills, such as ICT use, foreign languages, social skills, team spirit, etc.
- Modernising the business environment and, consequently, strengthening competitiveness
- Managing optimally the human resources of companies based on the specific needs of each company.

In the context of the operation of the Special Social Solidarity Fund (ETKA), vocational re-training programmes will be offered to the workers, affected by the impact of companies’ restructuring, in order to enhance their adaptability.

6.5.4 Geographical and Professional Mobility

In the framework of supporting geographical and professional mobility, OAED is implementing a programme entitled “Business Decentralization”, which encourages unemployed persons of the prefectures of Attica and Thessaloniki, to relocate to a different prefecture in order to set up their own business. The programme commenced in 2006 and provides increased incentives to 1,000 new Self-Employed, including higher subsidies (from € 9,000 to € 12,000).

In addition, programmes are implemented targeting enterprises which are affected by the consequences of globalisation (production restructuring) i.e. Programme for the transfer of employees from the Thessaloniki Phosphate Fertiliser Industry to the Kavala Industry.

Geographical and professional mobility is also promoted through in-company and continuous vocational training programmes (see chapter 6.5.3).

6.5.5 Combating Undeclared Work

Combating undeclared work is a main priority for the Greek government. In this respect a range of initiatives is undertaken.

The systematic and targeted controls by the Labour Inspectorate have not only continued but also increased, on sector by sector basis, using repeat offences as a criterion. This has resulted not only in more and targeted inspections, but also in higher fines and the resolution of an increased number of labour disputes. In 2006 32,371 controls took place, compared to 30,422 in 2005.

A new bill foresees the reorganisation of the Labour Inspectorate by establishing new labour inspection departments and new permanent staff positions. Moreover, the policy priority of the Ministry of Employment and Social Protection for combating undeclared work is reflected in the O.P. "Human Resources Development" 2007-2013, through the development of a corresponding systemic intervention.

Important effort for combating undeclared work has been undertaken in the context of legalising illegal immigrants in Greece, through Law 3386/2005 (152,400 illegal immigrants have been legalised until now). Its amendment by Law 3536/2007 enables the legalising a greater number of immigrants.

The possibility of the creation of a common electronic data base at the Ministries of Economy & Finance and Employment & Social Protection is currently explored in order to combat social security contributions' evasion and perform joint controls.

6.6 Strengthening Maritime Employment

Based on the fact that Greek-owned vessels are the primary employer for Greek seamen, and in the context of international competition, our main objective is to harmonise and integrate international regulations governing the rules and the conditions for the employment of seamen. Within this framework, Greece participated actively in all the stages of formulating and implementing the International Maritime Convention (International Labour Organisation, 2006). This Convention will be approved by our country within the proposed deadline (2010) which has been specified by the relevant Decision of the Sea Transport Minister's Council of the E.U. The implementation of the Convention and its monitoring is expected to improve maritime employment at all levels and will set the minimum standards in relation to the rules followed and the work conditions in ships. In this way these elements will no longer be an area where competition is experienced in the international sea transport.

By Law 3522/2006, the taxation of Greek seamen has been lowered, and is calculated by a proportional rate of 3% for higher level officials και 1% for the rest of the crew. Furthermore, a series of measures has been implemented to adjust Greek shipping to the conditions prevailing in international sea transportation (flexibility in the composition of crews in ships). The implementation of these measures resulted in attracting new vessels to the Greek Ship Register, and their number is still increasing. This, proportionally, leads to even more jobs being offered to Greek seamen.

6.7 Gender Equality

In order to promote equal treatment of men and women in the access to employment and work relations, and combating sexual harassment at workplace, the Parliament passed Law 3488/2006. This law defines sexual harassment for the first time, which tackles as a gender-based discrimination at workplace, creating the demand for compensating the victim. Concerning the access to employment, to the establishment, evolution and termination of a work relation, all forms of discrimination between men and women in the private and public sectors are abolished, too. The employer cannot refuse employing a woman on the grounds of pregnancy or recent child-birth, while the woman employee, who has been on maternity leave, can return to her work at an

equivalent post and on the same work terms and conditions, and she can benefit from any improvement of work conditions. This protection also applies to working parents making use of parental leave to raise their children. The Ombudsman is appointed as the agency competent to monitor the implementation of the principle of equal treatment of men and women. The Ombudsman will cooperate with the Labour Inspectorate of the Ministry of Labour on private sector matters (SEPE). In addition, women have now the possibility to enter the Merchant Marine Academies on equal terms with men without quota, this directly resulting to encouraging women enter naval professions. Moreover, the ratification of the Code of the Hellenic Coast Guard (Law 3079/2002), has abolished any provisions on quotas since 2002, which restricted women's access to the Coast Guard.

Article 8 of the Law 3491/2006 for the first time established a National Committee on Equality between men and women, as a permanent social dialogue board. The Committee's task is to contribute to shaping a national strategy for equality between women and men, forming the necessary policies and measures and monitoring their implementation, as well as evaluating their results at national and regional levels.

Programmes providing counseling and legal support services on employment and entrepreneurship matters to women are implemented in nine (9) Regions of the country. In the same framework, the advisory centres of K.E.T.H.I. are increased by the establishment of five (5) new branches. From this specific project, which has a budget of € 2,35 million, 3,475 women will be benefited, women who belong to special categories, those threatened by social exclusion, long-term unemployed over 45 years of age.

As concerns the **tertiary education and the promotion of gender equality**, it is mentioned indicatively that, at graduate level, 12 programmes are implemented (in eight Universities and four Technological Educational Institutes) to reform their curricula and to include subjects on equality. This effort has been reinforced with additional financing of € 1,3 million. At postgraduate level, three actions are being currently implemented (in three Universities) to organise and implement postgraduate studies leading to specialisation in equality issues, with a total budget of over € 1 million. These actions are expected to have been completed by August 2008, and they are financed by the O.P.«Education and Initial Vocational Training». Finally, there are three Research Programmes (“Pythagoras”, “Heracleitos”, and “Archimedes”) through which several research programmes, referring to equality issues, are undertaken.

To promote equality between women and men in the educational procedure – combating stereotypes, the following actions are going on:

- Educational visits/ informational lectures to teachers and pupils of the three last classes of elementary schools/secondary schools/Technical Educational Schools all over Greece.
- The programme: «Training of teachers and intervention programmes to promote gender equality» (O.P. “Education and Initial Vocational Training” - EPEAEK II – 3rd C.S.F.). This Programme is implemented by the Research Centre for Gender Equality (KETHI), with a total budget of €25 million. Since the beginning of the programme until today, 487 Intervention Programmes been implemented, in which participated 2,645 school units, 4,935 teachers, and 72,696 pupils.

Moreover, the establishment of an Observatory for monitoring and evaluating the actions of educational policy for equality is being completed (Observatory for Equality in Education)», which is going to operate as a Documentation Centre for the effective and scientific collection, record, and processing of data concerning this field. The Programme is a product of cooperation between the General Secretariat for Gender Equality, which is responsible to plan the gender equality policy in all fields, and the K.E.T.H.I., and has a total budget of € 951,000.

Furthermore, in order to **support the reconciliation of family and work life**, the new Civil Servants' Code (Law 3528/2007), incorporates a series of measures to support women in their efforts to reconcile family and professional activity.

Moreover, the K.E.T.H.I, as a coordinating agency, implements a programme entitled: «Equal Partners: Reconsidering Men's Role at Work and Private Life», which is co-financed by the European Committee (80%) and the General Secretariat for Gender Equality (20%). The project aims at informing and raising public awareness, mainly of men and fathers, in the need of reconciling and harmonizing their work obligations and family life, through redefining stereotypes concerning the role of father.

Finally, the O.P. «Administrative Reform 2007-2013» includes a special priority axis entitled «Reinforcing gender equality policy». In particular, this target refers to:

- The improvement of quality and effectiveness of gender equality policies planned and implemented in the country,
- The integration of gender equality in the whole range of public action, at the level of central and local administration, through the alliances with the private sector as well as through activating civil society and N.G.O.s,
- The reinforcement of the position and participation of women in the public and social sector, and, especially, in decision-making centres.

7. Education & Training

7.1 Primary and Secondary Education

In 2007, 4,500 all day primary schools and 2,000 all-day kindergardens are in operation. The radical reviewing of the syllabus in the curricula of these schools, within the context of the general revision of the curricula both in pre-school education and primary education is under way. Its aim is to compile new teaching material by the end of 2007, which will be taught at all all-day schools. The cost incurred by this action has been estimated at € 4,5 million and will be financed by the O.P. "Education and Initial Vocational Training". Moreover, the whole of the primary education syllabus is being revised to allow for coordination among the various education activities and subjects taught at all-day schools.

By Law 3518/2006 the condition of pupils' admission in pre-school education was revised. Article 73 defines a two year attendance in kindergartens for pupils who have completed the 4th year of their age. The attendance of those pupils who have completed the 5th year of their age is obligatory. Also, according to the Law 3577/2007, article 32, it is foreseen that for the school year 2007-2008 kindergartens could be established within the day nurseries for registered children who have completed the 5th year of their age.

With a view to facilitate the integration of **students with cultural and language differences** into the mainstream education system, four main programmes with a total budget of €25 million approximately will have been implemented by the end of 2007. They will be funded by the "Education and Initial Vocational Training" O.P. Related actions include awareness and further training of all teachers involved, the operation of cross cultural schools, reception classes as well as tutorial classes in schools with a high number of students of these categories, the preparation of additional teaching material, the provision of support to parents and teachers etc.

Primary and secondary education teachers, as well as those working in technical vocational education, while participating in all forms of teachers training (fast track education, initial education, school education, distance learning, intermediate and long term education) receive further training on the use of ICT. By December 2008, it is estimated that about 100,000 teachers will have acquired basic ICT skills and, moreover, 15,000 of them will have been trained on how to use ICT in the teaching and education process in general.

Special emphasis is also placed **on reducing school dropouts**. Early school leaving and non utilization of the opportunities offered by the education system lead to the curtailment of vocational options. This is the reason for continuing the implementation of programmes on Additional Instruction, Complementary Training and All-Day Schools. National funds will meet the cost for these programmes in the school year 2006-2007.

Significant efforts are being made **for reducing adult illiteracy**, mainly through the Second Chance Schools and the Adult Education Centres. These structures will be expanded both in relation to the geographical coverage (a Second Chance School and an Adult Education Centre will operate in each Greek prefecture) and to the duration (the programmes are expected to be completed by June 2008). For that reason the O.P. "Education and Initial Vocational Training" O.P will provide another €19 million of additional funding.

7.2 Higher Education

In March 2007 the Greek Parliament voted the institutional framework for **Higher Education Reform** (Law 3549/2007). This new legal framework introduces many changes, thus putting the operation of the Greek Higher Education System in line with standards set both at European level by the EU Institutions in the context of the Lisbon Strategy and by the bodies of the European University Community (the European Universities Association, the European Network for Quality Assurance, etc).

These changes mainly focus on:

- Improving and reformulating the mission of Higher Education Institutions in order to improve the quality of studies thus rendering them compatible with the constantly evolving current social and economic conditions.
- Strengthening the self-governing structure and operation of Higher Education Institutions by means of increased student participation in the election of the Institutions' Governing Authorities and lower participation of the central state governance to the university decision making. Furthermore, a social accountability process for Higher Education Institutions is being launched. The latter will submit a report on their activities to the Greek Parliament with subsequent parliamentary discussion on the said report.
- Establishing a 4year academic planning on the educational, research and administrative-economic activity, thus contributing to the rationalization of their academic and financial activity, and laying the basis for an efficient learning and research environment.
- Setting up new support and study guide services accompanied by the provision of financial support, compensation scholarships and interest-free loans enabling students to complete their studies, freeing them from any concerns arising from their mental, personal or financial support.
- Establishing foreign language studies that will boost the internationalization process of Hellenic Higher Education. This will make members of the Greek academic community more open to the world, enabling them to fully utilize the potential offered for an international academic career, in the course of their graduate or post-graduate studies or even during their professional careers.

The **Higher Education Quality Assurance System**, founded under Law 3374/2005 is now put into force. The members of the Quality Assurance Authority (ADIP), competent for the system's management and operation, have been appointed since the year 2006. The first stage of the system's operation has focused on the establishment of quality assurance standards by ADIP. These standards have already been forwarded to Higher Education Institutions all over Greece so that the latter will adapt them, in terms of methodology, to the subjects taught. This will enable the first internal evaluation process to be completed by the end of 2007, in compliance with provisions of Law 3374/2005.

Finally, new legislative measures (Law 3577/2007) improved the institutional framework governing the organization and operation of the **International University of Greece** (DIPAE). Its operation has already been scheduled for the fall of 2007 (its administrative operation has already commenced). DIAPE is the first systematic effort to open Hellenic Higher Education beyond the Greek borders, under the hospices and the responsibility of the Greek state. Its main aim lies in helping foreign students to smoothly integrate into the life and realities of today's Greece. The first education programme to be offered by DIPAE will be a post-graduate course on business administration, mainly addressed to business executives working in the broader Balkan area.

It should also be noted that the Ministry of Merchantile Marine, continued the implementation of its programmes aiming to upgrade the quality of the training provided in the Merchant Marine Academies. The main target is to integrate new technologies and introduce ICT in the tutorial modules of seamen according to the latest developments and the needs of the socio-economic environment.

7.3 Lifelong Learning

In 2007, Law 3369/2005 on the systematic application of lifelong learning was fully implemented. The National Lifelong Learning Committee meets regularly on a monthly basis, going through lifelong learning strategy issues and specific proposals submitted by various bodies for developing lifelong learning programmes. To this day the following proposals have received the Committee's approval.

	Implementation Agency	Project Title	Budget (€)	Scope	Number of beneficiaries
1	IDEKE [Institute of Continuous Adult Education]	Lifelong Learning Programmes provided at Adult Education Centers and the Centre for Distance Adult Education	2,691,128	Information – communication technology, social economy and social entrepreneurship, social skills development in the workplace, risk and crisis management and emergencies management	7,050
2	ESEE [Hellenic Confederation of Greek Commerce]	«HERMION» Lifelong learning programmes by ESEE	1,555,400	Financial and accounting business management, business sales, negotiation techniques, IT and new technologies, English business terminology, HR staffing and management, business internationalization, business warehouse management, small family business management	1,800
3	Developmental Partnership “Work & Education” by the Centre for Developing Education Policies & Institute of Neohellenic Research by GSEE	Lifelong learning projects' development & operation by the General Confederation of Labour of Greece (GSEE)	3,441,200	Higher Trade Union Education (Initial, Basic), trainers' education, training of trainers' counselors, human resources employment & development policies, training of workers and/or their trade union representatives on new technologies, teaching the Greek language to the labor force (migrants) and the English language to workers	3,850

4	Transbalkan Institute of Public Administration (ADEDY)	Lifelong learning programmes for workers in the public sector	2,699,570	Transaction with the citizen, crises-stress management techniques, corporate social responsibility & public sector, education & health unit management, quality, management issues, actions organization-implementation of civil protection activities, e-services & e-governance applications etc.	2,325
5	Social Multicentre (ADEDY)	Optimization & skills certification for public sector workers	462,525	Crisis – stress management techniques. Communication in transactions with citizens. Introduction into new technologies applications.	500
6	ESAMEA (Special Needs)	Enhancing the level of education of the disabled and the members of organizations of people with disabilities	2,086,850	Educating members of the disabled movement in planning policies on issues relevant to them, provision of training to people with disabilities on new technologies	1,200
7	IME GSEBEE	Provision of initial business and IT knowledge and skills to the self-employed, and small businesses workers and employers	982,000	Small business running issues, basic computer skills, specific IT issues for small businesses	1,300
8	Hellenic-German Chamber of Commerce & industry	Learnership Institute	1,062,500	Entrepreneurship & Small & Medium Sized Business, Crisis management, Leadership & young Entrepreneurs, Emotional Intelligence & communication skills	3,000
9	Central Association of Municipalities & and Communities of Greece (KEDKE)	Training of local authority officials allowing them to adapt to their new local authority environment	600,000	Further education of the elected local officials and local authority workers on issues pertaining to the 2007-2013 National Strategic Framework of Reference (ESPA), ICT and the Municipalities and Communities Code	4,000
Total			15,581,173		

These projects will be funded by the O.P. “Education and Initial Vocational Training”.

Concurrently, the National Lifelong Learning Committee has thoroughly examined, in their meetings, the development of a **Lifelong Learning National Strategy**. The relating preparation work has reached a high level of maturity allowing conclusions to serve as basis for the relevant O.P. “Education and Lifelong Learning” axis, submitted for 2007-2013 and approved by the European Commission.

With regard to the participation of Higher Education to Lifelong Learning, 20 Operation plans have been prepared pertaining to the foundation of Lifelong Learning Institutes (15 located in Technical Vocational Institutions (IEK) and 5 based in Universities), whilst the relevant regulatory administrative acts on the approval of these Institutes are being forwarded in order to be approved.

Regarding the Merchantile Marine sector, the Ministry of Merchnatile Marine encourages its personnel to participate in lifelong learning by organising educational programmes, i.e. seminars, post graduate programmes, fast track training on new technologies, public management, strategic planning modules. The aim is to better link the training of seamen with their professional activities, i.e. inspection of vessels, participation in international fora, police duties and other control related activities that they will perform in vessels or in the ports. In addition, the educational system of Coast Guard officials is being evaluated on an annual basis. The main objective is to improve the quality of the training offered and upgrade in this way the services offered to citizens.

7.4 Linking Education and Training Systems to the Labour Market

With regard to the linking of education and training systems to the labor market, the existing **structures and counseling and guidance processes** are being developed. The Counseling and Guidance Centers (KESYP), the Counseling and Vocational Guidance Offices (GRASEP) and the National Centre for Vocational Guidance have been allocated funds by the O.P “Education and Initial Vocational Training” totaling € 13,5 million, whilst relevant works are expected to be completed by June 2008.

Moreover, the **upgrading of studies** in the Vocational Education Institutes (IEK) has already been launched with the support of the Hellenic Organization of Vocational Education and Training (OEEK). Relating actions are being completed and, according to estimations, the following projects will be in full or pilot operation by November 2007: the OEEK’s trainers’ electronic registry as well as the e-learning system in vocational training units. Furthermore, OEEK will commence providing in-service training to trainers working in public or private sector Vocational Training Institutes (IEK). The total budget of these programmes amounts to € 20 million. In addition, IEK have been provided with Career Offices, with an estimated total cost of € 3 million. These Offices will be duly staffed with scientific personnel to provide vocational guidance and career opportunities to students. All these actions are funded by the O.P. “Education and Initial Vocational Training” and their implementation will be completed, according to estimations, by June 2008.

One of the main challenges in the sector of improving the skills of human resources and linking labour market supply and demand is the activation of the ESSEEKA. In view of achieving this goal, actions are continuing at a fast pace in order to activate the individual components of the system. Specifically:

- By virtue of article 7 of Law 3552/2007 various issues are regulated for the smooth operation of the Executive Committee and the Project Management Unit.
- Three pertinent Joint Ministerial Decisions are currently being signed and upon their publication the staffing procedures of the Project Management Unit will commence.
- A stock-taking exercise is now under way in all ESSEEKA systems and the results will be presented in a subsequent meeting.
- The recording of best practices from other member states is being completed in the context of improving the operation of the system.
- Systems 1 and 6 have been activated (survey on labour market needs and counselling services). These systems, as well as system 4 “continuous vocational training” constitute systemic interventions that will be developed in the context of the Operational Programme Human Resources.
- The development of the national system web site is under way.
- The Prefectural SEKA Committees are being established.
- A competition is currently taking place for preparing the first 65 Job Profiles and shortly the Social Partners will start implementing them.

Last but not least, at this point it is worth mentioning that significant actions are being carried out by the Organization of Agricultural Vocational Education Training and Employment “DIMITRA”, which is supervised by the Ministry for Rural Development and Food. The main role of the Organization is to provide up-to-date vocational knowledge and information to farmers, so as they gain or improve skills and capabilities, which are necessary to successfully meet the requirements of the agricultural profession. This objective is accomplished by:

- Three Technical Vocational Schools of the Organization “DIMITRA”, with agricultural specialities, in the field of secondary vocational training. The main target is the diffusion of specialised knowledge and technical methods, as well as the acquisition of skills that are

necessary to farmers, in order to successfully serve the agricultural profession chosen by students.

- Information actions for the agricultural population (seminars, conferences etc.).
- Training programmes. In the year 2006, 325 training programmes were implemented (increase of 38% compared to year 2005) and 67 short-period training programmes for beekeepers.

For the year 2007, the operation of one new Vocational Training School of country-wide range, which will consist of four different specialities of marine fishery and other new informative and training actions for the country's farmers, is already in process. Meanwhile, the Organization "DIMITRA" has also programmed for this year 403 training programmes for young farmers, women, fishermen, other short-term specialised courses (organic farming, entrepreneurship) for farmers and 77 short-term training programmes for beekeepers.

The Organization "DIMITRA" aiming at the information, education and training of the population in the countryside, has scheduled a research for the implementation of distance teaching and the use of a specialised e-libraries, through the operation of a satellite channel and the organization's Intranet infrastructure.

8. Environment, Sustainable Development and Energy Policy

The achievement of the Lisbon objectives is associated to the initiation of an array of actions aiming at forming suitable conditions for sustainable development and contributing to environmental protection and pollution reduction.

8.1 Environment and Sustainable Development

8.1.1 Air Pollution

In order to control air pollution, especially in Athens, public transport has substantially improved through the creation of an integrated traffic management and control system and the modernisation of public transport vehicles fleet. Specifically, the following should be noted: the construction of a two-line tramway system in Athens, the development of the suburban railway network of Attica, the procurement of modern diesel buses (EURO III) and Compressed Natural Gas buses (CNG), as well as the procurement of advanced technology trolley buses. At the same time, the modernisation of the railway system in Greece is finishing. In addition, the renewal of the taxi fleet is being promoted through the review of the cars' "age limits" and financial incentives have been provided for their replacement with new anti-pollution technology vehicles. Provision of financial incentives for the withdrawal of old-technology bikes is also underway. Moreover, incentives have been provided for the use of hybrid private cars.

The progress in natural gas penetration in the electricity generation as well as in the transport sector, especially in Athens, is satisfactory.

The inspection system for central heating and combustion installations, for fuel quality throughout the storage and distribution chain, and for vehicle emissions and technical control, has been upgraded, in order to confront air pollution. Moreover, the Environmental Inspectorate at the MEPPPW is being staffed more efficiently in order to secure compliance with environmental legislation and effective environmental protection.

8.1.1.1 Achievement of Greenhouse gas Emissions Reduction Goals

The 1st National Allocation Plan for Greenhouse Gas Emission Allowances for the period 2005-2007 included 135 installations. The 2nd National Plan for the period 2008-2012 included 150

installations and was submitted to the Commission on the 1st of September 2006. It is due for finalisation in October this year.

The Greek Ministry for Rural Development and Food, by supporting organic farming and organic livestock farming as well as other measures that aim at the reduction of pollution caused by nitrates from agricultural activity, contributes to the limitation of the green house gases emissions also resulting from agricultural activity. Besides, the Ministry for Rural Development and Food, in the framework of the Programming Document of Planning of Rural Development 2000-2006, implements a measure for the “Afforestation of Agricultural Land” and a series of other measures for the protection of water - soil resources and the conservation of forest ecology that also contribute significantly to the reduction of greenhouse gases emissions. These measures will be continued in the 4th Programming Period, in order to implement the abovementioned target.

8.1.2 Water Resources

The water resources management plans will be completed within 2007. Actions to reduce loss of irrigation are been supported by the 3rd CSF and better irrigation practices are being gradually installed through land-improvement works.

Today, almost 95% of the population of the country is connected to water-mains, and increasing trends for this rate have already been observed. There is also progress in the control of urban wastewater pollution. Today, 86% of the population equivalent of priority A, B and C agglomerations of Directive 91/271/EEC are connected to a collecting system, taking into account works that are now under construction. This rate shows an upward trend.

In the framework of the 3rd CSF, actions for the reduction of irrigation losses in water are being implemented, through land improvements, the construction of dams and water reservoirs for storing and exploitation of runoff water, artificial enrichment of underground water-reservoirs and the modernization – improvement of irrigation networks combined with the promotion of sound irrigation practices.

Aiming at the control of the non-point source pollution, more and more agricultural lands are integrated into programmes for the reduction of pollution caused by nitrates and programmes for the environmental protection and management of lakes and lagoons.

The quality of swimming waters is steadily improving, as shown by the increase in the rate of coastal areas lying within the required sectors; from 98.7% in 1998 to 99.4% in 2002 to 99.9% in 2006.

Since 2003, Greece is the Lead Country of the Mediterranean component of the EU Water Initiative (MED EUWI). The most important project of the MED EUWI in 2006 is the organisation of strategic “Country Dialogues Process on Water in Mediterranean Partner Countries” in Lebanon and Egypt. Dialogues of this kind will be commencing in other Mediterranean Countries next year.

8.1.3 Soil Resources

One of the major challenges for the adequate enforcement of measures to combat desertification, is the completion of the institutional and organisational aspects for the implementation of the National Action Plan to Combat Desertification, and especially the formation of local desertification committees. The selection of areas for the pilot implementation of the National Action Plan to Combat Desertification and the development and use of indicators for the mapping of areas sensitive to desertification, can, among others, be considered as positive developments.

In addition, the Ministry for Rural Development and Food, in the framework of the Operational Programmes of the 3rd CSF, implements a series of actions for the protection and conservation of Greek soils and the prevention of desertification. These actions aim at the continuation of

agricultural activities in less favoured and mountainous areas of the country, by providing Compensatory allowances to the farmers of those areas, the alleviation of problems resulting from overgrazing by the implementation of livestock farming intensification, as well as the conservation and protection of the qualitative and quantitative soil characteristics by promoting-supporting environmentally friendly methods of agricultural production (organic farming-livestock farming), the re-construction and conservation of hedges and the afforestation of agricultural land.

The provisions that Greece has adopted concerning the Codes for Good Agricultural Practices in the framework of the obligations of Cross Compliance, also contribute to the protection-preservation of soil resources.

8.1.4 Conservation and Management of Biodiversity

Actions for the protection of biodiversity deal with specific flora and fauna species, ecosystems, as well as to the organisation and operation of a National System for Protected Area Management, within the Framework of the Natura2000 Network. A National Strategy for Biodiversity is being drawn up in order to support an integrated approach for biodiversity conservation, and an Internet portal is under construction for the dissemination of pertinent information. Moreover, the specification of the Thematic Strategies for coastal and agricultural areas, the preparation of an Action Plan for Biodiversity, the organisation of a national framework for biodiversity monitoring, as well as specific actions for threatened species and habitats, have been scheduled within the framework of the Operational Programme “Environment – Sustainable Development” (2007-2013).

8.1.5 Protected Areas

Up to the end of 2006 19.1% of the land surface (a 2.5% increase since 2002) and 5.5% of the sea surface of Greece was included in the Natura 2000 Network of Protected Areas. In order to institutionalize the designation status of Protected Areas, 84 Special Environmental Studies were commissioned, covering 57% of the area of the Natura Network. The total area of designated sites has doubled (from 2.6% of the Greek land surface in 2002, to 4.9% in 2006).

8.1.6 Waste Management

A large proportion of the urban waste produced is lead to landfills, whereas integrated waste management (reduce-reuse-recycle) activities are spreading in fast rates throughout the country, showing significant progress in recent years. Hence, while recycling absorbed a mere 6% of the total waste produced in 2003, in 2000 this rate reached to 20% with a 23% being anticipated for 2007.

Today, 1070 companies are bound to Collective Alternative Management Schemes, covering the largest share of the Greek market. In collaboration with more than 380 Municipal Authorities, the opportunity to recycle packaging waste is provided to almost 4,5 million people throughout Greece. In February 2007, the national plan for the management of hazardous waste was legislated, based on the “polluter pays” principle.

8.1.7 Sustainable Production and Consumption

Programmes to support organisations to gain EMAS and ISO14001 certification or to be awarded with the Eco-Label are being implemented through the 3rd CSF.

8.1.7.1 Environmental Management Systems

The number of EMAS certified companies and Organisations jumped from 10 on 1/1/2004, to 27 on 1/1/2006 and to 53 today, portraying constant upward trends. The European Commission in November 2006 granted to our country the award for the Member State with the largest increase in

registrations among old Member States. Moreover, a programme for the support of organisations to gain EMAS or Eco-label certification is being implemented, inter alia, through the OP “Competitiveness”. The total budget of the programme amounts to about € 9 million. EMAS promotion activities are expected to be further intensified within the following years.

In the meantime, enterprises from all sectors (Manufacturing, Services, Trade, Tourism) have been receiving funding for the development and ISO 14001 certification of Environmental Management Systems. An increasing interest from businesses has been observed as 180 enterprises have been included in the latest round of the pertinent call of the Operational Programme “Competitiveness” (2000-2006).

Moreover, Law 3325/2005 requires companies from the Attica region with significant adverse environmental impacts, to establish and achieve EMAS or ISO14001 certification by 2010.

8.1.7.2 European Eco-Label

The European Eco-Label has been awarded to 131 products from 21 companies and to 2 services (hotels). With regard to the total number of label that have been awarded to Greek companies’ products, our country is ranked 4th among EU Member States. Emphasis is also placed on the promotion and disclosure of information for the eco-label.

8.1.8 Environmental Technologies

The first Strategic Plan for the Development of Research, Technology and Innovation was presented by the Ministry of Development in September 2006, with an aim to assist in the formation of the pertinent Operational Programme actions of the 3rd CSF and to align them with the national objectives.

A hundred and eighty (180) organisations from the fields of research, technology and industry, have received funds amounting to € 9,8 million, promoting the construction of a Greek platform aiming to environmental protection and especially the implementation of new technologies in industrial enterprises.

8.2 Energy policy

Greece’s energy policy in recent years has been largely based on actions for the development of domestic energy market. These actions focused on domestic energy market liberalisation, reduction of energy intensity, exploitation of Renewable Energy Sources and the introduction of the use of biofuels, especially for transport. Concurrently, and within the Energy Policy for Europe concept, our country is part of the major international natural gas, electricity and oil networks, through the participation to energy works in the broader area of Southeast Europe. Some of the most significant works of the kind that have been or are being promoted are the Burgas-Alexandroupolis oil pipeline, the Turkey-Greece-Italy natural gas pipeline, the undersea pipeline “South Stream”, as well as the electricity network with neighbouring countries.

8.2.1 Measures and Actions in response to Climate Change

Further to actions mentioned in paragraph 8.1.1.1 it should be stressed that preparations are under way to cover the obligations to implement the Vienna Convention, the Montreal Protocol and Regulation 2037/2000/EC

Progress has been achieved in the dissemination of Renewables, especially of wind energy. The drawing up of the Special Framework for the Spatial Planning of Renewables, which is at the final public consultation and finalization phase, is anticipated to provide a new and dynamic push to

Renewables. Moreover, through Law 3468/2006 strong financial incentives and a simplified licensing system for the promotion of the penetration of co-generation, of renewables and of energy saving, in the country's energy system, have been established. As a result, achievement of the 2010 renewables' penetration goal for 2010, namely 20.1%, is deemed attainable.

8.2.2 Energy Efficiency Measures and Actions

Greece was the first country to adopt the Green Paper on Energy Efficiency in June 2005, implementing an array of measures for the promotion of energy efficiency in the industry, and the housing-tertiary sector. A specific Action Programme has been conducted for the latter, incorporating technical and institutional measures. Moreover the Greek part has already assented to the Action Plan for Energy Efficiency with exactly the same quantitative and qualitative targets.

8.2.3 Biofuels

An annual Biofuel Allocation Programme has been established in order to allow for the exemption from special consumption tax for certain quantities of biofuels. In 2006, two sugar manufacturing plants were decided to be converted to ethanol manufacturing plants. Moreover, Greece finally submitted to the European Commission within the framework of the Activity Report for the promotion of biofuels, the initial realistic target of 0.7% for 2005, whereas the necessary effort is being exercised in order to achieve the indicative target of 5.75% by 2010.

9. Regional and Social Cohesion

9.1 Regional Cohesion

The funding programme for firms to develop broadband access in the Greek regions (with a budget of € 210 million) aims at the provision of broadband connection to the internet for the majority of the population by the year 2008. Agreements have already been signed reaching the value of almost € 201 million. The seven subprojects of this programme are already underway, while there are continuous contacts between the final beneficiaries and the Information Society, the Hellenic Telecommunications and Post Commission and the Hellenic Communications Organization.

The development of the national spatial plan, which is in the completion phase, mentioned analytically in chapter 5.2.2, contributes to the reinforcement of regional development and cohesion by:

- The restriction of development inequalities between areas within the country through the exploitation of their competitive advantages, thus boosting the multi-central development of the country.
- Limitation in the excess urbanization by improving the attractiveness of rural areas as well as the reinforcement of cooperation and the establishment of a corporate relationship between urban centers and the rural areas.
- Improving the access to basic transportation, energy and telecommunication networks.
- Improvements in the quality of life which is combined with safeguarding the individual character of each area and the option to choose between differentiated living standards.

The plan also fulfills the need to protect and, in any case, promote the sensitive natural resources, the cultural heritage and the landscape.

It should be noted that in the framework of the 3rd C.S.F the area of Cultural Heritage strengthened regional cohesion through:

- The **development of agricultural areas**: the wide dispersion of monuments gave the opportunity to materialize projects in the geographic domain of smaller cities and settlements.
- The **development of geographically underprivileged areas** (islands, mountainous areas) which have distinguished monuments. Within the 3rd C.S.F a number of projects were planned and are currently being materialised in the small and less developed Aegean islands (i.e. Samothraki, Psara, Tilos, Nisiros, Kastelorizo etc.). Similarly, in mountainous areas, projects are underway for the elevation of ancient cities (i.e. Thesprotia), Byzantine era monuments (i.e. Evritania), and places of interest due to their traditional architecture (mansion houses, bridges).

At this point, it should be noted that the Ministry of Culture is already promoting two new programmes, **the cultural Egnatia Road and the cultural Ionian Road**. Thus, those using these new road networks have the opportunity to be in touch with the monuments that are situated along the route. Through the implementation of these programmes, Culture will serve as means to enhance the development of the less developed areas of our country, such as Aitolokarnania, Ipeiros, West Macedonia, East Macedonia and Thrace. In addition, other supporting programmes will promote the exploitation of cultural resources in islands and remote areas, contributing directly to regional development.

The Ministry for Rural Development and Food, in the framework of the O.P. “Rural Development – Reform of the Countryside” 2000-2006 and the O.P. “Community Initiative LEADER+”, implements a series of actions which contribute to the effort for better access to regions of the countryside, in all levels of economic and social life. The main target of these actions is the enhancement-improvement of entrepreneurship, by creating new sources of income and increasing employment, the encouragement of innovation and the production of competitive, high quality products, as well as the improvement of the age composition of rural population, by providing incentives to young farmers aiming at the continuation of agricultural activity in the Greek Countryside.

At the same time, by the Law 3399/2005, Local Centres for Rural Development were established in the seat of each prefecture of the country, in order to provide scientific, vocational and technical support to farmers, information on the different kinds of cultivations and the production technology, information on the market prospects and the applied use of the results of agricultural research. Until now, almost 90% of the buildings that will be used as Local Centers for Rural Development have been located. The process for the remaining 10% will be completed in 2007. Concerning the staff of these Centers, a proclamation from ASEP (Supreme Council for Personnel Selection) for 207 working positions has already been published and the procedure of employment is expected. Furthermore, a new proclamation for about 96 additional working positions at the Local Centers for Rural Development is going to be published.

The Greek Policy for Rural Development in years 2007 – 2013, under the Regulation 1698/2005, will be implemented by the O.P. “Rural Development” and it will focus on the following axis:

- Improvement of competitiveness in agricultural and forest sector.
- Improvement of the environment and the countryside.
- Improvement of the quality of life in rural areas and diversification of agricultural economy.
- Promotion of local development strategies (through LEADER approach).

In order to avoid discrimination and to ensure equal opportunities to the population of the islands in relation to sea routes that shipowners choose not to serve, public service contracts are signed following tender procedures. The following table presents the aggregate remuneration granted for public sector contracts since 2003.

Table 9.1.1: Total Remunerations granted for public service

Total Remunerations	
Year	Remunerations
2003	€ 33,267,961
2004	€ 31,778,877
2005	€ 37,095,707
2006	€40,179,509

Source: Ministry of Mercantile Marine.

Moreover, in 2006, Law 2932/2001 was amended so that public service contracts can be granted with duration of up to 12 years. The long term contracts for servicing routes of limited commercial interest will allow the better planning of these services, and at the same time, will promote the regular connection of the islands and the other remote areas with continental Greece. Simultaneously, they are expected to provide significant incentives for new investments.

Since 2006, residents of small islands (identified as islands with a population of under 3,100 inhabitants) have the right for free transportation from and to the islands which are the administrative center of their prefecture.

The development/improvement of the transportation system has a major contribution to regional and social cohesion, as it expands the development potential in terms of land use and human capital. Funding of basic infrastructure networks (road, rail, ports, airports) during 2000-2006 through O.P “Road Networks, Ports and Urban Development” (with a budget of approximately €10,3 billion), “Railways, Airports and Urban Transport” (with a budget of approximately €2,4 billion) and the Cohesion Fund (with a budget of €3,2 billion) has substantially contributed towards this direction. More specifically, regarding road transports, the completion of the main road and rail networks has been promoted, i.e. PATHE and EGNATIA ROAD, as well as the planning-construction of road networks in Central Greece, Korinth – Tripoli - Kalamata, the North Axis of Crete (VOAK) and the main road connections to the Ionian and Aegean islands.

In parallel, the rail transport service of the whole country has been transformed. Projects concerning the upgrading of the railway route Athens – Thessaloniki - Eidomeni and the regional network have been promoted aiming to transform it to a high speed modern railway network. Additionally, the project concerning the suburban railway network of Attica has been materialised, increasing the accessibility of neighboring regions to the Capital. The network will radiate to the regions of the West Attica, Northern Attica, Korinthia, Viotia and Evia providing a high –speed connection to the new Athens airport El. Venizelos.

At the same time the infrastructure development of the country’s “gates” was also promoted. As gates are considered both ports and airports of national importance and those belonging to the Trans-European Networks. More specifically, substantial funds have been invested to improve the infrastructure in the Ports of Piraeus, Thessaloniki, Patra and Igoumenitsa and to upgrade the services provided and the capacity of other small island’s ports. Respectively, the same can be said regarding the air transports. Apart from the International Airport at Spata and the works to expand and improve the airport “Makedonia”, major investments and modernization projects have taken place in regional airports and in the airports of the islands.

During the 4th Programming Period the main source of funding in the field of transportation is the O.P “Accessibility Improvement”. This O.P follows the EU strategic guidelines and the Lisbon Strategy. Funded with an estimated budget of € 7,4 billion, it aims to:

1. Improve accessibility to the regions via prioritizing the development of Trans European Transport Networks and by developing, at national and regional level, transport networks

(road, rail, sea, air and urban transport networks) contributing thus to the sustainable development of the transport system.

2. Improve the competitiveness and the productivity of the transport system by improving the quality of the provided services emphasizing on reducing transport time and cost, the safety of travel, as well as by increasing the level of the services provided and the whole system's added value.

In this context, the following projects can be noted: the on going construction of the IONIAN Highway, the improvement of the Regional Road Network, the construction of the Central Greece Highway (E65), the on going and new actions for the implementation of the railway axis Patra – Athens – Thessaloniki / Promahonas (PATHE/P) and the extension of metro and tramway system of Attica. The net benefit both at national and regional level regards reduction in travel time, environmental protection and regional development and cohesion.

9.2 Social Cohesion

The Government Committee approved a bill establishing the National Fund for Social Cohesion in order to promote social cohesion and fight poverty. The Fund will be financed gradually within the following years with an amount which starts from € 500 million in 2008 and it will reach €2 billion in 2010. The fund will use specific objective criteria in order to fund integrated programmes that will provide targeted financial support for those at risk of poverty. In addition, supplementary pension benefit (EKAS) will be increased by 22% this year and by the 1st of January 2008 it will reach the amount of € 230. Moreover, Farmers' Fund (OGA) lowest pensions will be increased by 22% reaching €330. Unemployment benefit also increases from €311 to €404.

Regarding social inclusion of migrants, Law 3536/2007 establishes a National Committee for Social Inclusion of Immigrants. The main aim of the committee is the promotion of programmes and policies for the inclusion of migrants in Greek society, as well as the promotion of the social dialogue with all actors involved. In the same context, a new Joint Ministerial Decree "Integrated Action Programme for the Social Inclusion of Migrants –Programme ESTIA" was published, while Presidential Decrees 131/2006 and 150/2006 deal with issues regarding migrants' family reunification and long term residency status, thus solving many problems that have emerged in relation to these two issues.

Supporting the employment of social vulnerable groups is the adequate measure to fight social exclusion. Based on this fact, a number of targeted programmes are implemented through the O.P. "Employment and Vocational Training" of the Ministry of Employment and Social Protection, i.e. subsidized employment and self-employment (beneficiaries are persons with disabilities, repatriates, immigrants, refugees, juvenile delinquents, ex-drug addicts etc). The beneficiaries during the period 2003-2007 amount to 1,541 persons. In addition, a number of integrated programmes are implemented by the O.P "Employment and Vocational Training" and the Regional O.Ps. which benefitted 26,230 persons from 2006 until mid-2007.

Targeted programmes of New Jobs and New Self-Employed Entrepreneurs are implemented for persons with disabilities, ex-prisoners and ex-drug addicts financed by national resources by OAED, benefitting 1,891 persons in 2006 and 785 in the first half of 2007.

In addition, within the O.P. "Employment and Vocational Training" programmes for the provision of Social Support Services by specialized agencies to vulnerable groups of the population are implemented, in order to develop their social and professional skills and facilitate their social inclusion. From the completion of the first round of this programme, 12,651 persons benefited, while from the implementation of the second round, which is currently underway, 851 persons in 2006 and 1,699 persons during the first half of 2007 have benefited. These services contribute to strengthen and encourage such persons, as well as to increase society's awareness. Persons that benefit from such programmes may also participate in Active Labour Market Programmes.

In the 1st and 2nd round of the project “Programmes to Learn the Greek Language for Unemployed, Repatriates, Migrants, Refugees”, in the context of O.P. “Employment and Vocational Training”, 10,587 persons participated. This action, that was acknowledged as “best practice” by the European Commission, incorporates programmes for learning the Greek language, which lead to certificate degrees. Similar programmes are implemented by the Ministry of National Education and Religion.

In the context of coordinating, implementing, monitoring and evaluating social protection policies and aiming at supporting social dialogue and activating social partners, the establishment of a Coordinating Body for Social Protection with authorization to take decisions is of crucial importance. The establishment of this body is a systemic intervention of the O.P. “Human Resources Development”. Some of the responsibilities of this body are set out below:

- Drafting annual reports on the social situation in Greece.
- Timely identification and targeting of groups threatened with social exclusion by developing suitable policy tools.
- Formulation of proposals with respect to planned policies in the field of social protection.
- Promotion of cooperation among various bodies.
- Co-ordination, implementation, monitoring and assessment of social protection policies and policies combating exclusion, either funded nationally or co-funded by the EU.
- Coordinating function with a decentralized network for delivering social protection services.
- Systematic research for best practices in order to identify bodies and programmes that generate optimal results.
- Study, monitoring and evaluation of social protection actions.
- Consultation prior to the submission of the National Strategy Reports on Social Protection and Social Inclusion to the European Union.
- Formulation of an opinion on social policy issues.
- Study on improving the efficiency of social transfers.

The Ministry of Employment and Social Protection provided for the continuation of funding for 1,048 Facilities for the Care of Older People and Disabled People (Help at Home, Day Care Centres for Older People, etc.) by national resources from 01.07.2007 until 31.08.2008. During the transitional period, from 01.09.2008 until 31.12.2010, the interventions for the provision of "help at home" type services will be co-financed through the O.P. “Human Resources Development” 2007-2013 and the R.O.Ps, strengthening the employability of the ultimate beneficiaries, as well as promoting social cohesion and quality of life for the residents of the Periphery. The co-financing will be implemented according to the institutional, regulatory and administrative framework that will be elaborated through a systemic intervention of the O.P. “Human Resources Development” in the context of the individualised approach. It is noted that in the current Programming Period, these facilities, employing about 5,000 persons (mainly women), have a capacity to benefit approximately 58,000 individuals.

In the O.P. “Human Resources Development” 2007-2013 it is also reflected the priority attributed to strengthening social cohesion, the equal access of all to the labour market and the prevention of marginalization and social exclusion. The thematic priority axis 4 of the O.P. with budget of €290 million includes the following categories of interventions:

- (a) implementation of targeted interventions for social and professional inclusion of vulnerable groups (People with disabilities, repatriates, immigrants, refugees, long-term unemployed, drug and ex-drug addicts, prisoners, discharged ex-prisoners, people at the risk of poverty, asylum seekers, victims of family violence, people with cultural/or religious specificities, etc.)
- (b) development of social economy for the employment of vulnerable groups
- (c) actions to support people in need.

Furthermore, as already mentioned in chapter 2.5, the modernization of the social welfare system is a basic target which is related directly not only with the long term sustainability of public finances,

but also with the strengthening of social cohesion. An integrated, self-managed system and autonomous network of primary health care is promoted. A network which has the capacity to adapt in order to cover the changing needs of all citizens. Special emphasis is given to fight against multiple discrimination, especially against women immigrants, people with disabilities, women that belong to cultural, religious or ethnic minorities, as well as to victims of trafficking. In addition, health and social care services will be modernized to improve access, increase their quality and their responsiveness to new and to specific needs of women.

Law 3454/2006 established the **National Observatory of People with Disabilities**. This observatory will coordinate all involved public authorities, as well as to overview the implementation of the relative measures and actions, aiming to deal in an integrated way the problems facing People with Disabilities. The main action areas will be:

- systematic research, analysis and presentation of the developments and tendencies regarding rights of people with disabilities in Greece and internationally
- promotion and control of the implementation of measures and programmes concerning People with Disabilities aiming to their active and equal participation in social and economic life.
- control of the standards application with respect to the accessibility of People with disabilities to the natural environment, transport, communications, information technology, education, vocational training, employment, entertainment and sports and the submission of observations and proposals to the responsible institutions of central administration.
- creation and continuous information of a data bank which will include data bases concerning the institutional framework, policies and practices, statistical data and indicators that refer to People with disabilities in Greece and internationally.
- support for research programmes which promote the development of technologies addressed to People with disabilities.
- The development of deinstitutionalization and supported living programmes.

This new approach is consistent with the position adopted by international institutions, such as the World Health Organisation (WHO) and the application of the International Classification of Functioning, Disability and Health-ICF. The Institute of Social protection and Solidarity (IKPA) with the contribution of competent scientists, translated the system according to WHO's recommendations and designed the plan for the adaptation and gradual transition to the new system. The final outcome from the adoption of the ICF is the **Disability Card**. This will facilitate the activities of persons with disabilities by defining their disability category, the degree of functionality, issuing Life-long Card or Long-term Card, which will be re-evaluated only in significant cases. Other implicit functions of the Disability Card, which constitutes a "key" for every transaction, include ranking of disability, investigation of functionality and regulation of social benefits.

The efforts of the **Special Secretariat of Mental health and Social Inclusion for the fight against Social Exclusion** are equally significant. Its priorities are the promotion, establishment and completion of the reform of the mental health sector and the promotion of social inclusion. Thus, for the Forth Programmatic Period, 2007-2013, it plans the development of a network of primary and secondary mental health services, as well as training the personnel of mental health care centres. A basic goal is to support the entrepreneurial activities of social cooperatives of ex-long-term patients, the completion of the network of mental and social rehabilitation centres and the transformation of mental health hospitals. The O.P. 'Human Resources Development' is a basic instrument for the achievement of the Secretariat's strategic goals.

Finally, it should be mentioned that the Ministry of Culture supports young people's initiatives, such as the "ARTION group" in Naoussa (a town with high unemployment rate) to organize an international film festival which is very popular among youth, and the group "DIONISOS" in Evros which focuses on theatre and literature. Such activities create or maintain job positions and contribute to young people staying in the regions.

9.3. Special Measures for the Reconstruction of the Regions affected by the recent Fires

The devastating fires that affected a big part of our country during this summer caused disastrous consequences in environmental, economic and social terms. This led to the direct implementation of a series of special measures for the confrontation of the situation and the reconstruction of the regions and their residents.

The first package of measures concerns the direct alleviation of the persons affected and includes:

- Fivefold increase of the welfare benefit for the cover of the first needs of those affected (from € 600 to € 3,000).
- Increase of compensation for household and direct repair of residences (from € 6,000 to € 10,000).
- Issuing of full pension for one member for each family of victims, who died because of the fires, in accordance with the provisions of issuing pensions for the victims of terrorist attacks.
- Six-month suspension of payment of due obligations in the Internal Revenue Services and of current contributions to all Insurance Funds, as well as settlement of all delayed social security contributions.
- Financial support, in the form of direct payment of one additional pension for the pensioners of Insurance Funds and three monthly benefits from OAED for the registered unemployed of the stricken regions.
- Program to subsidise local governments' enterprises for the employment of 6,000 unemployed residents of the stricken regions.

The second package of measures relates to the compensation and reconstruction of the stricken regions and includes:

- Full compensation and re-establishment of farming capital and livestock.
- Provision of annual financial support until the re-establishment of the agricultural and animal production.
- Compensations for the repair or the reconstruction of the destroyed residences.

For the reconstruction of the economic and social life of the regions stricken by fires, as well as of the natural environment, an integrated plan was conducted and is being implemented, in collaboration with the prefectural and local government. This plan is financed by the state budget, by the European Union and, mainly, by the substantial resources gathered by the Special Fund of Confrontation of Emergencies (until the 15th of October 2007, € 152 million have been gathered)⁷.

10. The CSF and NSRF contribution with respect to the 2007 EU Council Recommendations

This chapter summarizes the responses of Greece to the 2007 EU Council country-specific recommendations for the reference period of the 2007 NRP Implementation Report:

⁷ The Special Fund for the Confrontation of Emergencies was established on 29.08.2007 and is supervised by the Ministry of Economy and Finance. Mr Petros Molyviatis, a person of prestige and wide acceptance, former Minister of Foreign Affairs, was appointed as its Chairman. The mission of this Fund is the financing of programs aiming at supporting persons affected from fires, earthquakes, floods and other natural disasters. Its resources originate from contributions made to the "Special Account of Aid to Persons Stricken By Fire" which has been opened in the Bank of Greece, by the state budget, by individuals and by Community funding. The fund finances direct actions aiming at relieving persons affected and is the basic support offered to implement the Reconstruction and Growth Plan in the regions that were stricken by the fires of August 2007.

- In the framework of the 3rd CSF implementation and
- At the level of national development planning for the period 2007-2013 (NSRF).

2nd recommendation: ‘modernise its public administration by building up effective regulatory, control and enforcement capacities, including through upgrading skills, in order to ensure effective use of Structural Funds‘

- As regards the 1st component of the recommendation, the interventions included in the **OP Public Administration Reform 2007-2013** (with € 505 million European Social Fund co-financing and € 675 million of total public expenditure) shall constitute significant innovations in public administration. In this framework, NSRF quantified objectives include, among others, increasing the percentage of certified possession of basic ICT skills by civil servants to 50% and increasing the annual penetration of continuous education in the population of civil servants by 125%.
- Combined with supplementary interventions through the **OP Technical Assistance** (such as support of NSRF implementation bodies, aiming at upgrading their managerial capacity in planning and implementing co-financed actions) they will have a significant contribution to the effective use of Structural Funds.

With respect to the 2nd part of the above-mentioned recommendation:

- During the reference period of this report, the planning at the level of the National Strategic Reference Framework was completed, after a wide consultation with all involved bodies. **The NSRF⁸ document was finalized and submitted to the EC, and was approved in March 2007.** Planning at the level of the 8 Sectoral and 5 Regional Operational Programmes is also finalized.
- Greece was the second EU-27 Member-State who successfully completed the negotiations with the European Commission and received approval for investing the Structural Funds resources of the period 2007-2013 (€ 20,4 billion of Community Contribution), along with recognition from the EC of the strong coherence of the NSRF strategy with the Lisbon priorities.
- The analysis included in the NSRF (earmarking) demonstrates the **increase of the country’s financial effort for supporting the Lisbon Strategy as compared to the 3rd CSF⁹**. It is estimated that 61.9% of Community Contribution for the Convergence Objective¹⁰ Regions and 67.0% of Community Contribution for the two Regional Competitiveness and Employment¹¹ regions will be directed to support the EU priorities for growth and jobs.
- In addition, strong consistency was also pursued at the level of indicators: context indicators and quantified NSRF / OP objectives present a strong coherence with those set at the NRP and the indicators used for monitoring the Lisbon Agenda.
- According to the NRP commitment and relevant NSRF references, an indicative Evaluation Plan for the period 2007-2013 was developed, which describes their planning at strategic and operational level. The Plan provides for the elaboration of a distinct **thematic evaluation on the ‘Contribution of the 2007-2013 OPs of the period 2007-2013 to the NRP implementation’.**

⁸ The NSRF 2007-2013 is available at: <http://www.hellaskps.gr/programper4/>

⁹ The percentage of CSF resources directed to interventions directly related to the Lisbon Strategy in Greece is estimated at 55%.

¹⁰ € 12 billion out of € 19,4 billion of Community Contribution. This Objective includes the following regions: Anatoliki Macedonia/Thraki, Ipeiros, Thessalia, Ionia Nisia, Dytiki Ellada, Peloponnisos, Voreio Aigaio, Kriti, Kentriki Makedonia, Dytiki Macedonia, Attiki.

¹¹ € 0,43 billion out of € 0,63 billion. This Objective includes the regions: Notio Aigaio, Sterea Ellada.

In the framework of the 3rd CSF, possible decommitments of EU funds due to the n+2 rule for the year 2006 were avoided, with the coordination of ‘crash programmes’ at Operational Programme level.

In addition, the **3rd Review of the CSF** and its 25 OPs was completed and approved by the European Commission, while the **management and control system of Community Funds** was redesigned and successfully applied.

- As a result of this systematic effort for the effective use of Structural Funds, out of a total € 22,7 billion, Community contribution inflows increased from 47% to 64% in the last year (€14,5 billion. as compared to €10,6 billion of the last CSF Monitoring Committee in June 2006).
- At the end of December 2006, payment claims of € 2,8 billion were submitted and approved by the EU, being the largest claim request for the country so far¹².
- The CSF absorption rate (public expenditure) was increased by 17.3% percentage units and amounts¹³ to 61.3%, as compared to 44% in June 2006, while CSF commitments increased from 70% to 95.7% respectively.

The above-mentioned Council recommendation is also addressed through the **new NSRF management and control framework**, summarized in its ‘Implementation Provisions’ chapter and analyzed in the **Draft Law for Management, Control and Implementation of development interventions for the programming period 2007-2013** (under public consultation). The revised implementation framework and the new management and control structures:

- i. Provide for a strengthened supervision of development planning and implementation of NSRF policies, through the Interministerial Committee of Development Programmes (Law 3483/2006, art. 20). The Committee coordinates and monitors the implementation of co-financed programmes, with the aim of ensuring the effectiveness of interventions and maximising the absorption of Community funds. It comprises an NRSF/OP administrative mechanism with limited number of members, which ensures the necessary flexibility and acceleration of the decision making process at strategic, managerial and operational level, in coherence with the policies of the National Reform Programme.
- ii. The total number of Operational Programmes of the period 2007-2013 is reduced, in order to ensure a more effective use of resources, reduce bureaucracy, simplify and reduce complexity and managerial cost. The new NSRF ‘architecture’ achieves a more effective coordination and better quality of managerial work as well as greater flexibility in managing fiscal commitments and in dealing with possible loss of funds due to the n+3 rule (until 2010) and n+2 (until 2013). The development result of the NSRF interventions is strengthened by establishing a National Coordinating Authority of planning and implementation of the OPs and by providing mechanisms for coordination and cross sectoral policy cooperation.
- iii. Establish stronger Managing Authorities and utilize the possibility of management through Intermediary Bodies. Aims at improving the effectiveness and quality of management, utilization of the know-how acquired in the period 2000-2006, strengthens the partnership principle and assures the necessary independence for faster project implementation.
- iv. Deals with shortcomings observed in the management and implementation of the current CSF, due to weaknesses and/or inefficiencies of several Final Beneficiaries, by the prior assurance of managerial competency in implementing bodies (i.e. certification of beneficiaries) and by anticipating for supporting mechanisms for weak potential beneficiaries in project implementation.

¹² Source: 10th CSF Monitoring Committee dossier, June 2007

¹³ Source: CSF Management Information System/Ergorama (31.5.2007, 10th CSF Monitoring Committee).

- v. Promotes the simplification of administrative procedures and their support by ICT, aiming at the reduction of bureaucratic burden and implicit administrative cost and at accelerating the programme management procedures and implementation of co-financed projects.
- vi. Strengthens the partnership principle, transparency and accountability of regional and local authorities, and reinforces the capacity of planning, management, control and implementation bodies.
- vii. Promotes new and sustainable financial instruments.

3rd recommendation: ‘modernise employment protection including legislation, reduce the tax wedge on labour, and strengthen active labour policies to foster flexibility and security in the labour market and transform undeclared work into formal employment’

- Interventions included in the OP Development of Human Resources 2007-2013 shall contribute to addressing this recommendation, especially as regards strengthening active labour market policies and with targeted interventions supporting the mechanisms of labour market inspection in order to reduce undeclared work. The OP receives € 2,6 billion of ESF co-financing and € 3,0 billion of total public expenditure.
- Relevant quantified objectives included in the NSRF confirm the NRP objectives for increasing the general and women's employment rates. Additional NSRF objectives for 2013 include increasing ALMP expenditure as a percentage of GDP from 0.17 to 0.5¹⁴ and increasing the percentage of unemployed benefiting from ALMPs as to annual average of unemployed jobseekers from 4-5 to 10%.

4th recommendation: ‘increase investment in compulsory and higher education, implement the reform of lifelong learning and improve quality and responsiveness to labour market needs, reduce early school leaving, and increase adult participation.’

- This recommendation is mainly addressed by the OP Education and Lifelong Learning 2007-2013 strategy (ESF co-financing), while additional interventions on the responsiveness to the labour market needs are included in the OP Development of Human Resources.
- Relevant investments from the OP Education and Lifelong Learning and the 5 Regional OPs are estimated to € 3,3 billion of public expenditure. Additional financial effort with national funds is foreseen in order to gradually increase education expenditure from 3.5% to 5% of GDP and reach the EU average (as overall national effort and not exclusively as a result of Structural Fund contribution).
- The main NSRF objectives include increasing the percentage of the general population aged 25-64 that participates in life-long learning programmes (formal, non-formal and informal) from 1.8% to 6% and reducing the percentage of the population aged 18-24 that has only completed mandatory education and is not undergoing studies or training from 13.3% to 10%.

¹⁴ This quantified objective refers to total national effort and does not result exclusively as a contribution from the Structural Funds. It is noted that this category of NSRF quantified objectives is affected by economic and social conjuncture.