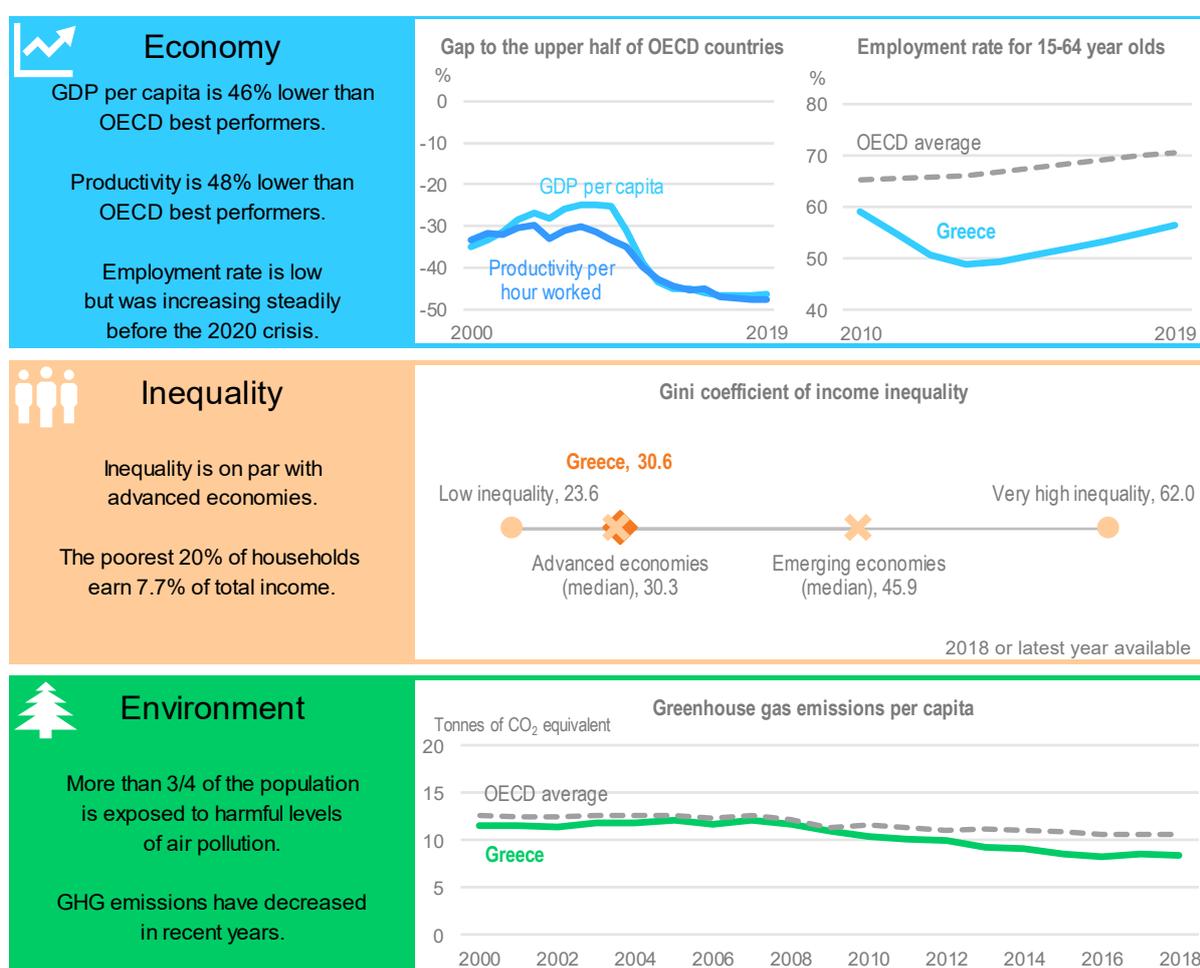


Greece

The COVID-19 crisis adds urgency to addressing Greece's long-standing challenge of boosting investment and productivity to diversify the economy and improve job creation. Despite continued progress in reform efforts, such as digitalising the public administration, red tape, low-quality regulations, and a slow justice system mar the business environment. Coupled with significant gaps in the workforce's skills, these inhibit firm growth and discourage innovation and investment, which will be essential to recover from the pandemic and sustain growth.

Performance prior to the COVID-19 crisis



Economy: Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2015 PPPs).

Inequality: The Gini coefficient for disposable income measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

Environment: Greenhouse gas (GHG) emissions include emissions or removals from land-use, land-use change and forestry (LULUCF). A high exposure to air pollution refers to above 10 µg/m³ of PM_{2.5}.

Source: Economy: OECD, National Accounts, Productivity and Labour Force Statistics Databases; Inequality: OECD, Income Distribution Database and World Bank, World Development Indicators Database; Environment: OECD, Environment Database and United Nations Framework Convention on Climate Change (UNFCCC) Database.

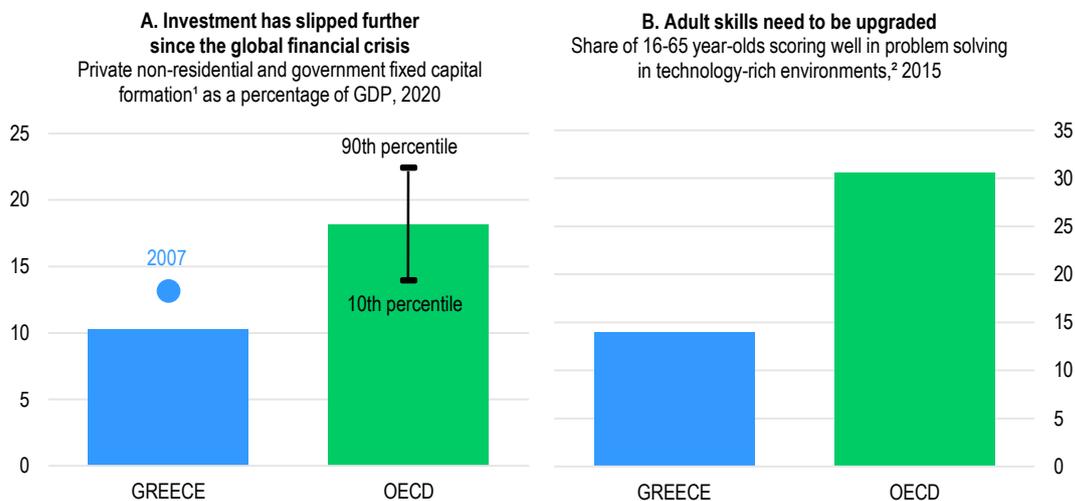
StatLink  <https://stat.link/cqw118>

Improving investment climate for a sustained, job-rich recovery

Inefficiencies in public administration and the heavy regulatory burden slow the government effectiveness, detract from the investment climate and discourage firms from growing, weighing on productivity. **Enhancing public administration efficiency and effectiveness of the justice system** is essential for addressing both the COVID-19 crisis and long-term challenges. The government's efforts to reduce red tape and improve public services' accessibility and responsiveness through digitalisation are showing their benefits and they should continue. Codifying existing laws and regulations, more training of staff and judges, and encouraging the use of alternative dispute resolution would improve access to justice and the business environment, build confidence in public institutions and encourage investment.

Investment had not recovered from the lows of the early 2010s before the COVID-19 crisis hit (Panel A). While progress in reducing banks' non-performing loans (NPLs) has accelerated, they remain high and, with deferred tax credits, constrain banks' capital and profitability and their ability to finance firms' working capital or new investments. The insolvency system is highly fragmented, resulting in a large number of strategic defaulters and slowing the resolution of NPLs. **Reviving investment** will be essential for a sustained recovery from the COVID-19 crisis, to diversify the economy and to boost productivity. The government's new "Hercules" asset protection scheme is helping banks to dispose of much of their existing non-performing loans, and a newly unified insolvency framework is expected to resolve financial distress more efficiently. However, the COVID-19 crisis risks creating new defaults, and urgent efforts are needed to address the large stock of non-performing loans that will remain and to improve the quality of banks' capital. Public investment spending has fallen well short of budget plans in recent years. To make the most of the EU's Next Generation Funds and to double investment spending as planned, the quality and speed of public investment execution need to improve.

Vulnerabilities and areas for reform



1. The 90th percentile is the value of private non-residential and government gross fixed that is above 90% of OECD countries, and the 10th percentile is the value above 10% of OECD countries. The OECD average refers to 2020 or latest year available.

2. Share of adults scoring at least proficiency level 2 in the Survey of Adult Skills (PIAAC). The Survey of Adult Skills defines problem solving in technology-rich environments as using digital technology, communication tools and networks to acquire and evaluate information, communicate with others and perform practical tasks. It focuses on the abilities to solve problems for personal, work and civic purposes by setting up appropriate goals and plans, and accessing and making use of information through computers and computer networks.

Source: Panel A: OECD, Economic Outlook Database; Panel B: OECD (2016), Skills Matter: Further Results from the Survey of Adult Skills.

Despite high unemployment prior to the pandemic, shortages of in-demand skills impede firms' ability to add jobs and raise productivity, as employers often cannot find workers with the needed skills (Panel B). **Strengthening active labour market programmes, education and professional training** would help job seekers find opportunities that emerge after the COVID-19 crisis. Boosting the capacity of public employment services would improve job matching and help tailor training courses for job seekers. Employing more specialised counsellors, developing digital tools, and linking public and private job search agencies would boost the capacity of active labour market programmes. Encouraging tertiary institutions to develop courses adapted to mature age students' needs, and better assessing and certifying the quality of adult learning courses would help upgrade skills for the post-COVID-19 economy. Developing adults' digital skills is crucial, given the looming changes from digitalisation and automation.

Students are often poorly prepared for the job market, in particular with weak digital skills. **Improving the quality of education** should aim at improving incentives to upgrade skills through better quality of contracts for a large share of teachers, increasing the autonomy of education institutions, and rewarding their performance. Recent reforms to better link vocational training with labour market needs can be developed further to strengthen the vocational focus across school, tertiary and adult education.

The young and low-income families, who suffered from high poverty rates before the crisis, are particularly hit by the impact of the pandemic. Continuing to **modernise Greece's social protection programmes and administration** to improve accessibility, targeting and effectiveness of administration are key to curbing adverse effects on poverty and inclusiveness.

Greece: Summary of *Going for Growth* priorities and recommendations

2019-2020 Reforms	Recommendations
Improve investment climate: Enhance efficiency and effectiveness of public administration and the legal system	
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> A new Labour Law Code and Code of Labour Regulatory Provisions is being prepared. The mandate of the Central Codification Committee has been strengthened (2019 law). <input checked="" type="checkbox"/> The silence-is-consent rule covers most economic activities and is gradually being expanded (2019). <input checked="" type="checkbox"/> A 2018 law set a new general framework for inspections (i.e. ex-post monitoring compliance), which is expected with the help of regional governments to gradually cover all inspection domains. <input checked="" type="checkbox"/> Three Competition Assessment Reviews identified barriers to competition and ways to improve the overall regulatory framework in 14 sectors. Most of the review's 773 recommendations have been legislated. <input checked="" type="checkbox"/> The collection of land rights has been completed for 82% of the country and the cadastral mapping has been completed for the 35% of the rights (October 2020). 	<ul style="list-style-type: none"> <input type="checkbox"/> Accelerate the codification of existing laws and regulations. <input type="checkbox"/> Improve judicial efficiency through more training of staff and judges and using courts' performance indicators. <input type="checkbox"/> Pursue the on-going digitalisation of the public administration. <input type="checkbox"/> Better communicate the availability and benefits of alternative dispute resolution mechanisms.

2019-2020 Reforms	Recommendations
Financial system and investment: Restore banks' health and improve the execution of the public investment budget	
<p>*New priority *</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Urgently implement a strategy to address the deferred tax credits and bad loans that will remain on banks' balance sheets after the Hercules non-performing loan disposal scheme is complete. <input type="checkbox"/> Implement the unified insolvency framework, and ensure a better balance between the rights of creditors and debtors and accelerated enforcement of collateral. <input type="checkbox"/> Boost public investment to support growth and environmental sustainability, including in public transport, innovation and waste management, based on cost-benefit analysis. <input type="checkbox"/> To support faster executions, train staff in payment processes including at local level.
Labour market: Strengthen active labour market programmes	
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> A National Strategy for Lifelong Learning was introduced with measures to ensure course offerings better respond to the skills needs in priority sectors and of local labour markets (2019). <input checked="" type="checkbox"/> A system to coordinate vocational education and training nationally and regionally has been established, however labour market diagnostics are yet to be developed and integrated. 	<ul style="list-style-type: none"> <input type="checkbox"/> Employ more specialised counsellors and profiling tools in public employment services to significantly improve job-search and training support, linking them better with private job-search agencies. <input type="checkbox"/> Develop a voucher system that allows jobseekers to select their preferred intermediary for active labour market policies, including private-sector employment services. <input type="checkbox"/> Encourage tertiary education institutions to develop courses adapted to mature-age students' professional needs and practical circumstances. <input type="checkbox"/> Improve quality assessment and certification of adult learning courses.
Education and skills: Improve the quality of childhood education, schools and tertiary education	
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Following the adoption of the Upgrading Public Schools Act, for the first time school units have set objectives against which they will be evaluated over the 2020-21 school year. Curriculum reforms are giving greater emphasis to soft skills, including creative thinking. (June 2020). <input checked="" type="checkbox"/> The government has extended compulsory pre-school education to four year-olds, although inadequate facilities are delaying the roll-out (2019). <input checked="" type="checkbox"/> Technical institutes and universities have been merged, but the new institutions have limited autonomy over their budget, structure and operations, curtailing their ability to improve teaching outcomes (2019). 	<ul style="list-style-type: none"> <input type="checkbox"/> Progressively move the teacher workforce onto longer-term contracts that support and reward performance and avoid the rigidity of the existing permanent contracts. <input type="checkbox"/> Complete the roll-out of compulsory pre-school for 4 year olds and expand access for younger children to early childhood education and care. <input type="checkbox"/> Provide broader management autonomy to tertiary education institutions.

2019-2020 Reforms	Recommendations
Social protection: Modernise programmes, targeting and administration	
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> The guaranteed minimum income operates nationally and funding has been increased to meet expected demand following the COVID-19 crisis (2020). <input checked="" type="checkbox"/> Family benefits have been redesigned to better target lower income households (2019). <input checked="" type="checkbox"/> Transport subsidies have been reviewed and targeted at low-income groups (2020). 	<ul style="list-style-type: none"> <input type="checkbox"/> Increase Guaranteed Minimum Income transfers, taper them more gradually and introduce in-work benefits for low-wage workers. <input type="checkbox"/> Align equivalence scales across social transfer programmes by raising the Guaranteed Minimum Income equivalence factor applied to children. <input type="checkbox"/> Ensure that Guaranteed Minimum Income programme participants are required to actively engage in active labour market programmes and to accept jobs. <input type="checkbox"/> Boost policies to support families, prioritising expanded access to quality care for children and the elderly. <input type="checkbox"/> Develop in-home support for elderly care.

Recent progress on structural reforms

The government has adopted important reforms that address many priority areas. It is reducing tax rates, supported by Greece's improved revenue collection arrangements and public finances. The COVID-19 crisis has prompted Greece to strengthen the capacity of all areas of the health system, which has received little investment over the past decade. The government is reforming the public procurement framework and the design and execution of public investment projects. However in many areas, the complexity of many reforms, capacity constraints among staff, reticence to assess and reward performance, and the restrictions imposed to contain the COVID-19 pandemic have slowed progress.