

Position of the European Commission Services on the development of Partnership Agreement and programmes in Greece for the period 2014-2020

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INTRODUCTION

The European Union faces the daunting challenge of emerging from the crisis and putting economies back on a sustainable growth path. The exit strategy entails restoring sound public finances, growth-enhancing structural reforms and targeted investments for growth and jobs. Regarding the latter, the CSF Funds¹ can make an important contribution to sustainable growth, employment and competitiveness and increase the convergence of less developed Member States and regions with the rest of the Union.

To ensure that the CSF funds deliver long-lasting economic, environmental and social impacts, the Commission has proposed a new approach to the use of the funds for the **2014-2020 Multiannual Financial Framework**². Close alignment with policy priorities of the Europe 2020 agenda, macroeconomic and ex-ante conditionality, thematic concentration and performance incentives are expected to result in more effective spending. It is an approach that underlines the need for strong prioritisation and results and a shift away from a culture of entitlement. Greece is experiencing an exceptionally deep recession. The CSF funds will thus provide an important source of public investment in Greece and serve as a catalyst for inclusive growth and jobs by leveraging physical and human capital investment while meeting certain requirements of the Economic Adjustment Programme (MoU).

CSF Funds should aim at jointly fostering **competitiveness, convergence and territorial cooperation**, by setting the right country-specific investment priorities. With unemployment rates reaching 25% and even 55,6% among young people (under 25 years old) a general **refocus of spending** is necessary. Spending should be targeted towards support to SMEs, social inclusion, quality employment in particular for young people and active inclusion, labour market oriented quality education and training, as well as research and innovation, social protection must be structured and enabled to avoid the destruction of human capital through the crisis. In addition Greece will need to focus on delivering the highest productivity gains, mainstreaming of climate change objectives and shifting to a sustainable and resource-efficient low carbon economy. These objectives can however not be achieved without a modern and efficient public administration. In order to do so, planning and implementation of CSF funds have to break through artificial bureaucratic boundaries in the next programming period and develop a strong **integrated approach** for mobilizing synergies and achieving optimal impact both within countries and across borders. Moreover, CSF Funds have a key role to play in supporting financial instruments that can **leverage private investment** whenever available and thus multiply the effects of public finance. In short, we need a carefully targeted and results oriented use of CSF funds that maximises their combined impact.

This approach is in line with the European Council's Conclusions of 29 June 2012 regarding the use of the Union's budget³ which recommend that Greece should pursue the

¹ The EU funds covered by the Common Strategic Framework (CSF), i.e. the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF)

² COM (2011) 500 final, COM (2011) 398 final and COM (2012) 388 final

³ Conclusions of the European Council of 29th June 2012 (EUCO 76/12), http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/131388.pdf

MoU. The main objectives of the MoU relate to the rebalancing of the Greek economy, redressing its public finances and financial stability as well as to proceed with the functional review of the public administration aiming at improving its efficiency. The strengthening of the Cohesion Policy implementation by improving the legal framework and management capacity of the bodies involved in the delivery of Structural Funds is another core objective.

The purpose of this position paper is to set out **the framework for dialogue** between the Commission services (including the Task Force for Greece) and Greece on **the preparation of the Partnership Agreement and Programmes**. The paper sets out the key country specific challenges and presents the Commission Services' preliminary views on the main funding priorities in Greece for growth enhancing public expenditure. It calls for optimizing the use of CSF Funds. To this aim, Greece will need to focus on reforms enhancing competitiveness, boost potential high growth sectors and the creation of sustainable jobs, leveraging private resources. There is also a need to concentrate future EU spending on priority areas to maximise the results to be obtained, rather than spreading funding too thinly. Therefore the Commission proposes to group and limit EU funding to the key challenges outlined in this position paper.

The starting point of the Commission's considerations are the assessment of Greece's progress towards meeting the requirements of the MoU, its Europe 2020 targets and its 2012 National Reform Programme, the country-specific challenges outlined in the Commission Communication "Growth for Greece", McKinsey&Company on "Greece 10 Years ahead" and a number of studies such as the OECD report on the "Review of Public Administration in Greece". The position paper takes account of the lessons learnt during the 2007-2013 programming period and the Commission's legislative proposals for 2014-2020.

In a context of fiscal discipline, Greece has to develop and implement medium-term strategies capable of facing the challenges ahead, notably creating a sustainable economic model and a modern and efficient public administration while helping preserve the European social model. Finally, it invites Greece and its regions to exploit to the maximum potential synergies between the CSF Funds and other sources of EU funding in a strategic and integrated approach.

1. MAIN CHALLENGES

The Greek economy has been in recession since 2008. In 2011, real GDP contracted substantially more than in 2010, falling by -7,1%. This is mainly due to very weak domestic demand, in turn the result of fiscal adjustment, declines in household disposable income in a weak labour market and restrictive credit conditions. Productivity growth is far below eurozone average, and despite the recent labour market reforms, unemployment remains high.

The competitiveness of the Greek economy is weak, after many consecutive years of deterioration.

In 2012 further contraction is expected in the economic activity. In July 2012, unemployment rate in Greece reached 25,1% from 17,8% in July 2011. This deterioration in the labour market affects almost every population group but is even more detrimental to vulnerable groups (women and young population) and increases poverty

and social exclusion rates. In Greece the unemployment rate among young people (under 25 years old) in July 2012 was the highest in EU27 (55,6%).

Despite a continued economic growth in Greece up to 2008, disparities within and among regions remain pronounced. In fact, figures regarding the average GDP per capita for the period 2007-2009 of the thirteen Greek regions in comparison with the EU average demonstrates significant divergencies. The region of "Attica" reaches a GDP per capita 120,1% while in Western Greece it is only 66.2% followed by Eastern Macedonia & Thrace with 67.8%. Preliminary figures for 2010 show that the disparity among regions has further deteriorated and that the average per capita GDP has continued to fall dramatically across the country.

There are serious structural challenges that need to be addressed nationally and transnationally to make the Greek economy more sustainable and inclusive. The lack of an efficient public administration and a modern, flexible and competitive business-friendly environment prohibits growth and job creation. The current economic and financial crisis has been transformed to a job and social crisis. In this context, a major challenge will be the promotion of employment and support to labour mobility. Promoting active inclusion and combating poverty are essential to preserve social cohesion.

The analysis of Greek progress towards meeting its national 2020 targets directly linked to the CSF funds illustrates the efforts and distance to be covered. The table below shows the national targets for Europe 2020.

Europe 2020 headline Targets	Current situation in Greece end 2011	National 2020 target in the NRP
R&D	0,6% (2007)	2% GDP
Employment	59,9% (2011)	70%
Early school leaving	13,1% (2011)	9,7%
Tertiary education	28.9% (2011)	32%
Poverty	619 000	reduction by 450 000 in the number of people at-risk of poverty or social exclusion by 2020
Energy efficiency	n/a (the Commission is not yet able to provide this overview)	2,7 Mtoe
Renewable Energy	Starting from 5,8% in 2005, the share of renewable energy in gross final energy consumption has been increased to 8.2% (in 2011).	18% of gross final energy consumption from renewable sources
20% greenhouse gas (GHG) emissions	+3% (2020 projected emissions compared to 2005)	

reduction compared to 1990 ⁴	⁵ -8% (2010 emissions compared to 2005) ⁵	-4 % (national binding target for non-ETS sectors compared to 2005).
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Therefore Greece's most pressing challenges are related to an inefficient public administration hindering the development perspective of the country, coupled with an unsustainable economic model that lacks competitiveness. It results in high unemployment, in particular of young people, increasing social exclusion and poverty, insufficient infrastructure investments to promote growth and jobs, and inefficient use of natural resources/climate change mitigation and adaptation.

Unsustainable economic model that lacks competitiveness

Over the years, Greece has been developed on an unsustainable economic structure. It lags behind its European partners in key areas like foreign direct investment and employment and shows a poor record on competitiveness and productivity, areas where the country faces significant challenges.

Competitiveness is very low in Greece as regards the EU-27 average and the economy is heavily based on micro-enterprises⁶. Particularly worrying is the loss of competitiveness in the tourism sector which accounts for approximately 15% of the Greek economy. A firm and stable environment for investments that can improve the business environment, both domestically and in a broader regional and international context, is rather absent. SMEs and in particular micro-enterprises encounter difficulties to grow as their potential is hindered by several obstacles: a public administration that favours the creation of laws over an efficient and effective implementation of policies, lack of confidence on the accountability of the public administration, lack of access to finance, absence of ICT tools related to land planning and to transparent procurement, lack of support and advice in penetrating international markets, lack of transparent procurement. Weak entrepreneurship is more noticeable in rural and fisheries areas due to the unique challenges from a spatial perspective as rural areas are far away from the controlling center of the economy. EU support for 2007-2013 to SMEs has been fragmented, until 2011 grants were insufficiently targeted and FEI were oversized and not properly tailor made to the most acute needs.

Public R&D investment is low with expenditure in 2007 representing 0.6% of Greece's GDP while the efficiency and effectiveness of spending is weak, due in particular to the weak implementation of reforms. Greece is also lagging behind in finance, firm investments and intellectual assets. Greece has fallen to 20th position in the Innovation Union Scoreboard 2011 and its innovation performance is below the EU-27 average. A lack of strategic orientation and focus, resulting in fragmented planning in a wide spectrum of scientific and technological fields has meant that the creation of a critical mass in terms of national relevance and importance has been lacking. A shift towards an innovation-driven economy is necessary to take advantage of growth potential including

⁴ 30% if the conditions are right

⁵ Based on existing measures, Commission report *Progress towards achieving the Kyoto Objectives* (2012)

⁶ Share of micro-enterprises in businesses: GR: 96,5%; EU-27: 92,1%. Estimates for 2010, produced by the Cambridge Econometrics based on 2002-2007 figures from Eurostat.

the sectors of blue economy. Brain-drain is also an issue to tackle since high numbers of researchers and other highly-qualified leave abroad.

The country continues to **hold low rankings in the EU ICT indicators**. A high standard and penetration of ICT services need to be achieved for the population and business through broadband infrastructure including in rural areas. Whilst fixed broadband coverage stood at 91.2% of the entire population in Greece in 2010, according to the EU Digital Agenda Scoreboard, this was only 60.0% in the rural areas⁷.

High unemployment, in particular of young people and increasing social exclusion and poverty

The country's unemployment rate has more than tripled since the beginning of the crisis and the **youth unemployment rate reached a record high**, exceeding 50%. Youth, notably female, early school leavers and persons with lower qualifications are amongst the groups the most effected by unemployment. Unemployment and in particular long-term unemployment is a key driver of poverty. Households with an unemployed head appeared to be worst hit by the crisis: their poverty rate went up by 9 pp (from 51.1% to 60.1%, August 2011). **At risk of poverty** rate of the overall population in Greece is higher than the EU-27 average by almost 4 percentage points and the second highest among the EU-15 Member States (2010 data) reaching 20.1% in 2010, with some groups being particularly at risk (e.g. children, which are covered by a specific sub-target). Yet Greece ranks among the Member States where social protection's efficiency and effectiveness in reducing poverty is particularly low. Finally, the share of persons aged 18-59 who are living in households where no one works rose to 13.7% in 2011, an increase of 5pp from 2009 (8.5%) and almost 3pp higher than the EU27 average (10.5% in 2011).

Besides, Greece is lagging behind as regards the achievement of the so-called Barcelona targets for childcare, with only 8% of children under 3 in formal childcare arrangements (as against an EU average of 28) and 58% of those between 3 and 6 (as against an EU average of 83%).

In a period of fiscal consolidation and decreasing levels of public expenditure on education, (2,75% of GDP in 2011), the **attainment of the Europe 2020 education targets becomes challenging**. Low employment rates of young people, a high share of low achievers in reading, mathematics and science, with a persistent achievement gap between migrants and natives, a large share (reaching almost 15%) of young people aged 15-24 who are neither in employment nor in education or training (NEET) and high drop-out rates among students from disadvantaged backgrounds are signals of concern that need to be addressed. Vocational education and training remains an unattractive option and adult participation in **lifelong learning is extremely low** compared to the EU average, with the gap being even more marked for particular population groups such as migrants, low-skilled, unemployed, women and older people. Transfer of good practice from elsewhere in the EU is particularly necessary. Finally, participation rates in early childhood education and care are among the lowest in the EU.

The labour market conditions are expected to deteriorate further in the foreseeable future and this makes the challenge even more important; the need to protect the unemployed

⁷ http://ec.europa.eu/information_society/digital-agenda/scoreboard/index_en.htm

and the more vulnerable, in particular young people, requires the implementation of a number of policy reforms and efficient activation and inclusion policies in order to achieve a positive impact on growth and jobs.

Insufficient key infrastructure networks to promote growth and jobs

Greece has not yet completed and tackled strategically **key road, rail, port and airport infrastructure networks**, and other support or multimodal infrastructures which hinder easy access for the transportation system to goods and people. Connecting routes within the country and to neighbouring countries are insufficient. Modern railways networks are absent, whereas the completion of the motorway concessions (up to 1,400 km) becomes imperative. **Road safety remains alarming in Greece** with 129.3 fatalities per 1 million inhabitants recorded in 2009. This is one of the highest in the EU-27 and far from the 2020 target of 33.8 fatalities per 1 million inhabitants.

In the field of energy, the country lacks adequate energy networks to face the challenges of the growth potential in electricity (except RES) and natural gas. High voltage grids lack sufficient capacity to support the penetration of RES. Natural gas penetration in Greece is largely depending on the expansion of the high pressure grid.

A reliable coastal shipping service should also be addressed. Greek ports may mainly be exploited for container transshipment and bigger cruise boats. In that regard, rail connections and customs issues will need to be addressed in a comprehensive port strategy which is absent. The lack of consistent sustainable **urban transport master plans** also has to be addressed. Interconnection facilities between ports, airports and suburban rail are lacking in key urban areas and hold considerable importance for the tourism industry in particular. Clean and green investments like the Athens and Thessaloniki metro but also trams and inter-city trains can provide stimulus to growth and jobs.

Greece relies heavily on landfilling of waste, whereas the main methods used in EU are recycling and incineration. The solid waste production in Greece has been growing steadily reaching 68.6 million tons in 2008, an increase of 33,7 % over 2006. There is significant room for improvement by importing good practices and promoting modern management methods (recycling). A firm political commitment, decisive in tackling efficiently the waste management problem of the country, is missing. Due to the failure to advance and speed up conformity to EU environmental legislation, Greece faces the risk of sanctioned with serious penalties.

With respect to infrastructure for drinking water and waste water, about 83% of the Greek population is covered by urban wastewater collection and modern waste water treatment plants. The overall situation is satisfactory, though some gaps remain in certain regions related to the implementation of the environmental acquis. The quality of drinking water also remains an issue of concern. The seasonality of the tourism industry presents an additional challenge to the capacity of the country's drinking water infrastructure. Concerning irrigation water, the finalisation of efficient water collection infrastructure and irrigation networks is an essential challenge.

Inefficient use of natural resources/climate change

High energy consumption and low fuel efficiency are some of the characteristics of the Greek energy sector. The current energy mix is dominated by petroleum products. Future targets include a wider use of gas and an increased share of renewables with much

potential for transfer of good practice from other parts of EU. However, the utilization of the renewable resources is small, representing so far only 8.2% of the total energy consumption. Therefore, **the utilization of renewable resources** in order to meet the EU goals (i.e. 18% RES penetration in total consumption in Greece) is a prerequisite.

Greece presents a high vulnerability to climate change and it is already affected in terms of reduced precipitation and increased temperatures. Environmental degradation, drought, forest fires, flood hazards, soil erosion and desertification are the consequences, while forest fires are the most severe in financial, social and ecological terms. According to a study, Greece has the most severe forest fire problems among the EU countries.

Mitigating climate change and **improving resource efficiency is a key priority** for Greece given its geophysical vulnerability and the level of economic development. Climate change will make areas further northern than Greece more attractive to tourism, damaging the economies of present destinations for holidays. Agricultural, forestry, fisheries, aquaculture and the coastal sector are heavily influenced by climate change.

With respect to increasingly scarce water resources, it is necessary to increase efficiency in the use of water by agriculture, through investments in more efficient irrigation, advice on water efficiency and preserving the buffer and filter functions of soils. River Basin Management Plans (in line with the EU's Water Framework Directive) have not yet been adopted.

As regards biodiversity, the Natura 2000 network and the high nature value farmland areas, the challenge is to establish and implement a comprehensive strategy related to the effective protection, restoration and management of these protected areas of high biodiversity value. The Natura 2000 network in Greece covers 21% of the land surface and 5.5% of territorial waters. EU support relating to protection mechanisms and structures of Natura 2000 sites must be enhanced and rationalised and the funding priorities should be based on the prior preparation of a Prioritised Action Framework.

The most serious problems of air quality exist in large urban areas (Athens, Thessaloniki, Patra, Larisa) and in areas with lignite energy production installations (Ptolemaïda and Megalopolis).

Inefficient public administration hindering the development perspective of the country

Greece's overall public administration performance is well below the EU average. Perceived quality of public services, including policy implementation and quality of the civil service in Greece are very low (0.52 compared to 1.18 in the EU).

Greece is caught up today in an institutional and administrative situation that blocks the implementation of structural reforms and policies, the proper functioning of the State and its potential for restoring sustainable growth in all sectors of the economy. In order to allow effective reform to progress and unleash the growth perspective of the country, Greece needs to address this situation as one of its highest priorities.

Implementation of policies and reforms is a major weakness, due to a combination of weak central supervision, complex legal framework and political and administrative culture that favours creation of laws over results. The **lack of coordination** compromises reforms and policy implementation, in particular where collective action is needed. Lack of accountability is linked to the inefficient administrative systems that have been

produced through the years. Reforms and policy implementation are also hindered by poor budget management not linked to reform and policy objectives.

Human resource management practically inexistent and **lack of continuity in the public sector** due to political interferences have created through the years a weak civil service, lacking decision-making capacity and administrative continuity with regard to implementation of reforms and policies. E-government and e-services to citizens are still at an early stage, cross-border and transnational cooperation experiences unnecessary delays and difficulties and there are crucial shortcomings in data collection and management which stand in the way of effective and evidence based implementation of reforms and policies.

Tackling systemic **corruption** is also a considerable challenge. In the 2011 Transparency International's Corruption Perception Index, which measures perception of corruption in the public sector, Greece scored the second lowest of all EU Member States, with only 3.4 out of the maximum 10. The latest Eurobarometer on corruption conducted in 2011 showed that almost all Greek citizens (98%) believe that corruption is a major problem in their country. According to Transparency International, the black economy is estimated to be as much as a third of Greece's gross national product with tax evasion costing upwards of US\$20 billion a year. The bribery costs in Greece were estimated to be EUR 632 million in 2010. This limits Greece's ability to fund the public sector adequately.

The Greek judicial administration is also in need of reforms as it is highly inefficient by international standards. People and business need to have confidence that the judicial system will provide effective solutions and uphold their rights. It is characterised by complex procedures resulting in excessive delays in the resolution of cases with a significant case backlog.

2. PRIORITIES FOR FUNDING

The CSF Funds will be one of the most important instruments to tackle the main development challenges for Greece, implement the Europe 2020 strategy, and serve the requirements of the MoU. Each fund should give priority, when relevant, to policy areas as identified in the Country-Specific Recommendations/MoU, the Europe 2020 commitments and the national reform programmes. For rural development and fisheries, priorities for funding will also contribute to the Common Agricultural and Common Fisheries Policies. Targeted funding should harness the untapped potential of Greece's coastal and sea areas in order to deliver sustainable economic growth and jobs in the blue economy and enable diverse sustainable use of the coastal and marine resources on an ecosystem-based approach. The intervention from the CSF Funds needs to be concentrated on a limited number of priorities. Experience shows that thematic concentration allows for an increase in effectiveness of public interventions by reaching a critical mass with a real impact on the socio-economic situation of a country and its regions. Coherence with investment and approaches in neighbouring countries and regions should be emphasized. Prioritisation is of particular importance in times of fiscal consolidation. Interventions across all priorities should be scrutinised with regards to the climate change mitigation and adaptation objectives.

Five complementary and mutually reinforcing funding priorities are proposed hereunder in line with country-specific challenges⁸. They reflect the importance of funding needs and potential contribution to growth and jobs. These are the priorities the Commission would like to co-finance in Greece for the next programming period 2014-20. There is no ranking in the presentation of the funding priorities however major efforts should be focused on the modernisation of the public administration which, in its turn should support the reforms. Sufficient flexibility is built into the new programming architecture to respond to new challenges and unexpected events, which allow for reprogramming on justified grounds. The Greek authorities should establish a plan of short and long term investments and ensure the adequate legal framework is in place before the starting of the programming period

2.1 A business-friendly environment conducive to investments

The creation of a business-friendly economy is a key priority for Greece. The simplification of procedures for business start-ups and export facilitation and reduction of administrative burdens for businesses will release the growth potential of enterprises. The focus of investments will be directed to promoting entrepreneurship by reducing bureaucracy and facilitating access to finance and R & D & I to stimulate investments in innovation.

Drawing upon lessons learned from the programming period 2007-2013, the Greek authorities should ensure that a comprehensive approach is put in place regarding the way access to financing to the SMEs is eased. An optimal complementarity between awarding direct assistance to SMEs and offering financing through FEIs should be sought. This complementarity should transpire through a comprehensive scheme to support the SMEs which should allow appreciating the correct targeting of the aid with a view of tackling the consequences of the crisis and ensuring future growth.

Funding shall be in accordance with EU state aid rules.

Reduce the administrative burden for business, cut red-tape and simplify the administrative and legal framework to ensure better services to business.

In the context of the administrative reform, the creation of an appropriate legal and tax framework to ensure consistent rules and stability is one of the most important requirements for companies to thrive and contribute to growth and jobs. Simplifying and accelerating investment proposals and shortening licensing procedures as well as facilitating exportation by digitizing the export-clearance procedures and implementation of a single window for exports will be significant stimulus to the exporting base of the Greek economy.

A clear strategy should be defined setting the policy objectives and priorities to be pursued in order to set-up an integrated set of instruments (state aids and non-state aids). It should aim at enhancing the competitiveness of SMEs by putting emphasis on the legal framework and on the stability of the business environment (licensing, taxation laws).

⁸ The thematic objectives in the proposed regulations and their link to the funding areas are outlined in Annex I.

Facilitate access to finance and provide advanced business services to targeted micro-enterprises and SMEs

It is imperative to ensure liquidity and access to finance for new SMEs by creating loan facilities, promoting SME associations and networking, facilitating access to new domestic and international markets and supporting new business models and introducing technologies and quality standards. Investments should promote innovation and the objectives of Europe 2020 flagships and the policy initiative "Small Business Act".

Drawing on the lessons from the current programming period, the opportunities offered by the new CSF regulations to set-up financial instruments covering the whole country supported through a single operational programme and priority axis should be fully exploited. Contributions from more than one CSF fund to financial instruments should also be explored. In the Greek context, an in-depth review of the design of the FEI appears necessary. The Greek authorities should proceed with precise rules, systematic and transparent evaluations to ensure that the implementation of the FEIs yields real benefits and the money is injected to targeted SMEs. Sophisticated new financial instruments could be handled at national level whereas Jessica could be handed over to the regions. Moreover, the attractiveness of the FEI products should be reassessed.

Greece needs to enhance the competitiveness of its SMEs, in particular in sectors where its regions dispose of a comparative competitive advantage. Agriculture's potential where it has a clear competitiveness advantage based on quality products and innovation should be unlocked. The setting up of a Farm Risk Management Scheme will help the effective management of the increased economic and environmental risks. In the field of fisheries, aquaculture should be strengthened through incentives for producing market-valuable species. Investments should promote organic aquaculture and innovative and environmentally friendly production techniques.

Support targeted sectors with a comparative advantage

There is a need to concentrate **investments on sustainable economic activities with better growth prospects** and the most dynamic exporting profiles. At the same time, emphasis should be put on the development of innovative and competitive products while improving the relevance of educational and training system to the needs and targets of the emerging economic activities in sectors and clusters where Greece has a competitive comparable advantage (e.g. agro-food and aquaculture, energy production and distribution, tourism, ICT manufacturing and computer services, pharmaceuticals). In this context, a regional strategy aiming at the creation of a small number of growth poles / cities of excellence through a focused urban integrated development should be envisaged by Greece. Measures to increase investments in human capital and skills can make a major contribution to promote industry's competitiveness. Policies should be implemented to equip the labor force with the necessary skills to cope with industrial transformations.

Strengthen the links of R & D & I with the business world to promote innovation and entrepreneurship

Greece needs to restructure and promote its innovation policy. New, innovative, evidence-based R&D strategies to support a more competitive outturn economy are needed. The available funding will need to support cutting edge research that will help the competitiveness of the Greek economy in technologically advanced sectors. Interventions should aim to **strengthen the links between universities/research**

institutions and the private sector (SMEs, large firms, agricultural and agro-industrial sectors). A **smart specialisation strategy** should be central in developing new clusters and hubs based on the regional competencies. Fostering and transferring knowledge from higher education institutions and public research organisations to private companies through sector specific networks/ platforms driven by industry demands and the creation of university spin-offs thereby attracting (venture) capital and support from business angels should be a top priority. In this domain, Greece can gain from cross-border and international collaboration by promoting the participation of Greece in international R&D networks.

Support and promote the development of e-business

In the context of the administrative reform, a clear strategy for integrating ICT tools in the business environment to address the needs of the business community is a priority. This should fall as a part of the broadband roll-out, e-government, development of ICT products, and services and large scale uptake of ICT-based innovations. The pursuit of e-government services and the completion of crucial projects like the cadastre, the e-procurement, e-prescription and the national registry become important to ameliorating the transparency and remodelling the public administration. Well-designed and targeted interventions (on-line transactions and e-invoice) in favour of SMEs will be secured through broadband infrastructure including rural areas. The reform of the Greek public administration and the introduction of ICT tools should contribute to raising the overall efficiency of the economy by enhancing the state's capacity to implement newly adopted legislation and thereby improving the business environment.

2.2 Increase of labour market participation through improved employment, active inclusion and education/skill development policies

The impact of the crisis in Greece on the labour market and social integration calls as a high priority for increasing the labour market participation through improved employment, active inclusion and education/skill development policies. CSF Funds should contribute to sustainable job creating growth and their impact in boosting quality employment, promoting active inclusion and enhancing labour market relevance of education, training and lifelong learning should be maximized. Investment therefore on employment, active inclusion and education and training policies and the relative share of CSF Funds investment should increase compared to the programming period 2007-2013.

Enhance integration of young unemployed into the labour market through improved and innovative activation policies

Particular attention should be paid to policy initiatives designed to address particularly the problem of the dramatic situation faced by young unemployed. This should be done through improved/enhanced, well targeted and innovative initiatives (including community-led initiatives for community work for young people) to support the education, training and employment prospects of young unemployed and their swift and sustainable integration into the labour market. Entrepreneurship, including social entrepreneurship, should be exploited at large in this direction while fostering young people participation in apprenticeship-type vocational trainings, reinforcing schemes offering further education and training, and the possibility to introduce a "youth guarantee" are examples that should be considered.

Public employment services (PES) need to enhance their capacity, among others, in particular for addressing youth unemployment and to design schemes aiming at delivering efficient and effective activation services to young unemployed. In this context, PES need also to launch credible policies aiming at matching labour demand and supply as well as reinforcing the quantity and quality of sustainable employment; in this context they need to strengthen their ties with employers and make sure that schemes are appropriately and effectively tailored to the needs of both young unemployed and employers.

Enhance the effectiveness and adequacy of activation policies for the unemployed

A review of the overall effectiveness and adequacy of activation policies is necessary. **The key parameters to be examined** are the enhanced coordination amongst active labour market programmes, the move towards the use of more cost-efficient and focused ALMPs such as job-search and counselling, and the development of policies that take into account local particularities.

Targeted and comprehensive labour market integration policies need to be developed to address the needs of the more vulnerable groups and those not covered by safety nets. Focused policy initiatives aiming at supporting the integration of vulnerable groups into the labour market should support, among others, entrepreneurship including social entrepreneurship. The development of **the social economy sector** should be encouraged and incentives to set up a social economy enterprise should be accompanied by training and support services.

A comprehensive approach towards an integrated care policy in particular **for quality, affordable child care, elderly care, care of persons with disabilities** is necessary in order to increase the labour market integration of particular groups such as women, including the most disadvantaged. Public employment services including labour inspection mechanisms need to enhance their capacity aiming at delivering efficient and effective activation services, better tailored to the needs of both unemployed and employers, and fight the high incidence of the undeclared work.

The design and implementation of a coherent activation strategy along the lines of the **"mutual responsibilities" approach**, the development and systematic use of an evaluation system to assess the efficiency and effectiveness of individual policies as well as rebalancing the share of expenditures in favour of more cost-effective active measures such as job search assistance, career guidance/counselling and training remain top priorities.

Enhance active and healthy ageing

The low rate of labour market participation of older people needs to be addressed. A comprehensive active ageing strategy duly designed and implemented is necessary more than ever, in view of demographic developments. The demographic developments along with the economic crisis have highlighted the importance of **efficient public health systems**. The implementation of a coherent strategy, based on clearly defined objectives at national and regional level along with the upgrading and adaptation of skills of the staff working in health sector should be supported. Where needed, existing health and social care infrastructures should be modernised and their organisation should be improved in order to provide a better service to citizens.

Promote an integrated active inclusion strategy and policies

The design and implementation of a comprehensive active inclusion strategy can provide an essential contribution to social and labour market integration. Such a strategy should draw on experience and initiatives abroad and target those most in need, building on labour market activation measures and access to quality services. In this framework a fully operational monitoring and evaluation system for active inclusion policies along with increased stakeholders' participation should also be promoted through CSF funds.

CSF investments should also concentrate on supporting policies for the active inclusion of groups in deprived urban and rural communities and marginalised communities such as the homeless, Roma and minorities facing an increasing risk of being socially excluded. The implementation of comprehensive and sustainable local active inclusion strategies and integrated urban interventions for the promotion in particular of the regeneration of the Athens capital region and of other cities should be supported and receive high priority. To reinforce urban regeneration, exchange of experience, as well as networking and joint initiatives/actions could be pursued, nationally and across borders.

In this context, CSFs will also strengthen administrative capacity related to the delivery of comprehensive and integrated active inclusion strategies, with a view to enhance coverage and take-up rates, as well as the set-up of one-stop-shops.

Improve the quality and labour market relevance of Education/Training and Lifelong learning

Investments should concentrate on upgrading the quality and enhancing the relevance and attractiveness of vocational education and training, implementing an effective quality assurance system, in particular in higher education, improving teaching methods, reinforcing teachers' skills, motivation and professional standards, reducing geographical disparities, including through the improvement of educational infrastructures, increasing substantially adult participation in lifelong learning with a focus on priority target groups and non-traditional learners such as low-skilled and older workers, unemployed, women, owners, managers and staff of SMEs, enhancing the provision of quality career guidance and counselling services and promoting access to affordable, good quality early childhood education and care.

Promoting social inclusion and combating poverty

Investments will contribute to support the modernisation of social protection and social protection, supporting reforms in their design and implementation in view of enhancing social protection's effectiveness and efficiency.

Beyond aspects directly linked to active inclusion mentioned above, they will also support access to quality, affordable services to those most remote from the labour market or inactive. These include in particular social services for the homeless, long term care services, targeted early-childhood education and care as well as community services and the transition from institutional to quality alternative care services.

2.3 Sustainable infrastructure for growth and jobs

Modern and sustainable infrastructures, both nationally and across borders, mainly in terms of transport, energy and environment, coupled with skilled human resources are key factors for increasing the attractiveness of Greece and its regions for investments.

Optimising the accessibility facilities, modernising the energy networks and ensuring modern waste management are crucial prerequisites for economic growth and the creation of jobs. The bulk of the investments would be injected in advanced technologies in the field of environment and energy networks.

Optimise accessibility facilities

Greece should develop a **comprehensive multi-modal transport strategy** accompanied by a business plan. Connectivity should be addressed in the framework of cooperation with the neighbouring countries and stimulating growth (e.g. promoting sustainable transport and removing bottlenecks in key network infrastructure). Key activities should be prioritized: the completion of a modern railway network, port interconnectivity with the rail network, the road and rail connections with third countries and the TEN-T networks completion. Special attention should be given to internal sea and air links (in particular regional small ports and airports) with the islands.

Greece should modernise cross-border and customs border crossing points for fast, secure and efficient EU external trade, supporting modernisation of customs infrastructure, equipment, and systems, as well as administrative capacity building, as appropriate.⁹

Investments to **support maritime connectivity and multimodality** such as berthing, port facilities and transport connections with the hinterland should be pursued with a view to further increase the revenue generating from tourism. With regards to coastal areas, the construction of relevant infrastructure for sailing boats and/or cruise yachts is of particular relevance. The same applies to investments in cruise terminals (berthing capacity and port facilities) which is aligned with the country's objective to attract cruise ships either visiting or using Greece as home port.

Modernise energy networks

Two energy production sectors need modernised energy networks to face the challenges of their growth potential, namely electricity and natural gas. In the field of electricity, there is a growth potential from the strengthening of the HV grid in order to support the penetration of RES. The inter-connexion of the islands is a costly operation but more economical than their current status of generation with a large share of oil products. The planned inter-connexions are at various stages of planning and execution depending on the island and/or the group of islands. The development of smart grid and distributed generation technologies constitute another source of opportunity.

With respect to natural gas, low pressure grid is present today only in 3 Greek regions covering 60% of the Greek population. Enhancing the natural gas penetration (GR: 4%; EU 27: 23%) is largely depending on the expansion of the high pressure grid (HPG). Under construction is the HPG for Peloponnese and the Island of Evia.

Opportunities are emerging from new interconnectors, such as a) the Trans-Adriatic pipeline (including 181 km of pipeline in Greek territory), b) the interconnector Greece-Bulgaria (IGB), and c) the interconnector Cyprus-Greece, under consideration as an

⁹ Greece has not favourable ranking in the global benchmarks, like World Bank's Doing Business – Trading across borders - surveys

option for the gas distribution from the new East Mediterranean fields. Further opportunities are emerging as well for new LNG stations, such as a) near Kavala, in the North of the country to feed IGB, and b) in Crete. In this sector Greece should fully utilise opportunities arising from cross-border and international collaboration.

Ensure modern waste and water management

Greece should **move away from landfilling to modern management methods**, based on updated waste management plans and waste prevention programmes. In accordance with the waste hierarchy, waste prevention and recycling should be promoted in particular re-use, recycling and for non-recyclable materials, recovery. Modern facilities (compost, mechanical and biological treatment plants) should be constructed, mainly in areas with acute needs like Attica and Peloponnese.

Greece should also address the remaining gaps in urban waste water collection and treatment, mainly for small agglomeration i.e. between 2000 and 10000 p.e. (population equivalent) or agglomerations served by individual or other appropriate systems. All current urban waste water treatment plants should be operational and properly maintained, and the "polluter pays principle" should apply by adopting the appropriate pricing policy.

2.4 Environment friendly and resource-efficient economy for growth and jobs

Rational management of resources (including biodiversity, water, soil and air) and resource efficiency constitute a potential for growth and job creation in Greece while ensuring environmental protection. In particular, the promotion of the renewable energy sources is a key priority where significant investments and utilisation of international good practices are needed.

Improve management of natural resources and environmental protection

In a context of water scarcity, Greece should focus on increasing efficiency in the use of water by agriculture, through investments in more efficient irrigation, advice on water efficiency and preserving the buffer and filter functions of soils. Efforts should be made for the improvement of water, air and soil quality, and contribute to the protecting soil from erosion, compaction, salinization, landslides, and loss of organic matter.

Greece should also ensure that a comprehensive strategy is drawn up for the protection and restoration of forests, biodiversity and ecosystem services, particularly those sites/habitats that have been heavily modified.

Greece needs to restore, preserve and enhance biodiversity through targeted agro-environmental measures supporting the conservation objectives of NATURA 2000 areas. The protection of biodiversity and promotion of ecosystem services including green infrastructures will serve to support environmentally sound farming systems. Support should be envisaged for the establishment of marine or fishing protected areas foreseen in the Mediterranean Regulation¹⁰ and provide adequate incentives for their management.

¹⁰ Council Regulation (ED) No 1967/2006

Land is also a finite natural resource and its management needs to be improved. The finalisation of spatial planning and land use will contribute significantly in attracting private investment and ensuring their sustainability. An integrated management system related to the state owned land has to be developed, operated and efficiently managed.

Greece should protect its marine environment and maritime resources by implementing the reformed Common Fisheries Policy (CFP) and developing sustainable coastal fishing communities. Improvement of data collection for resource conservation purposes and strengthening the control of the implementation of CFP rules and effective reduction of overcapacity are areas of concern. It should also support the sustainable exploitation of marine waters and coastal areas by implementing the Marine Strategy Framework Directive and introducing a Maritime Spatial Planning (MSP)/Integrated Coastal Zone Management (ICZM) to boost the development of the country's blue economy.

Climate change adaptation and mitigation

Since existing challenges will be exacerbated by climate change, Greece should implement strategic preventive measures, both nationally and in the context of the broader region, for flood, fire and coastal erosion to resolve forest protection/fire fighting and restoration, soil protection and other natural risks. Cooperation in the regional and international context should be promoted. The forest cadastre must be completed and compatible to the national cadastre.

The potential of the agricultural sector to adapt to climate change should be supported, both to benefit from the agri-food sector's economic potential and to aid mitigation of climate change.

Shift to an energy efficient, low-carbon economy and promotion of Renewable Energy Resources (RES)

An overall strategy should be developed, both nationally and with linkages and exchanges of good practice abroad, to **promote the production and distribution of financially sustainable energy from renewable sources** and optimise the energy mix by increasing the RES. Priority should be given to the upgrade and expansion of the electric grid. Greece has the potential to go beyond the national target of 18 %; renewable energies could grow to a market share of 25%. Opportunities for the local economy and SMEs should be fully exploited. Measures should be adopted to facilitate and stimulate the supply and use of cost-effective renewable sources of energy such as biomass, solar, wind energy, clean ocean sea energy and hydro-electric energy, including in rural households and farms.

Energy efficiency and renewable energy use in public infrastructures and housing sector provide a large business potential especially for public buildings and households. A number of initiatives should be pursued, especially the implementation of the 'energy efficiency of households' programme, the 'special programme for the development of photovoltaic systems in buildings' and green tourism actions. Energy savings and efficiency through measures such as "smart grids" and "smart metering", distance controls should be strongly encouraged.

Decentralised production and consumption systems should be considered and effective feed-in schemes designed. Greece should provide incentives to promote low-carbon strategies for urban and rural areas as well as for the islands. It should support smart and clean mobility solutions, in particular medium urban areas, and support

campaigns for the rational and economic use of energy. Incentives for increased efficiency in energy use in agriculture and food processing through investments in more energy-efficient buildings and facilities should be designed. Finally, develop ecosystem-based approaches to conserve and enhance natural carbon sequestration (forests, marine, soils) including rural and urban green infrastructure.

2.5 Administrative reform for an efficient and accountable administration

As the failure to implement a major and integrated public governance reform in Greece is likely to jeopardise the broader reforms required to put Greece back on the path to sustainable growth and in particular to address effectively its main growth challenges for the 2014-2020 programming period, the CSF funds should support as a high priority the administrative reform including the improvement of the efficiency of the judicial system. In this context, their impact in terms of ensuring the implementation of credible long lasting reforms, the efficient functioning of the administration and the country's potential for growth and job creation should be maximized. Nevertheless, as the investment on administrative reform during the programming period 2007-2013 proved difficult to put in practice, the implementation of the relevant investment for 2014-2020 should be suitably adapted.

Administrative and organisational reform to increase the institutional capacity and efficiency of the central government and the regional and local administration

The CSF funds should give attention in securing the establishment of a strong dedicated governmental mechanism, with clear leadership, to take full ownership of reforms and be empowered with the essential functions and powers to steer, arbitrate and decide at political level. A strategy should be established and implemented to address the issues that block the implementation of reforms. Structures that link the central administration with the rest of the public sector should be identified, strengthened through the CSF funds and enabled to deliver on key policy reforms and initiatives, for example in the competitiveness of small and medium-sized enterprises and the labour market sector.

With regard to the efficient and effective functioning of the state at all administrative levels the CSF funds should support the development and implementation of a comprehensive strategy that reinforces the strategic management within the ministries and the inter-ministerial coordination, as well as multi-level governance and decision-taking at the appropriate level. Such a strategy should also ensure an efficient interlinkage between regional and local administrations, as well as them and the central administration. The CSF funds should also support the development and implementation of a strategy to tackle comprehensively the complex legal and administrative framework by simplifying it and by making it more transparent so as to change the focus of the administration from formal compliance with detailed requirements to the achievement of strategic objectives and policies.

The budget framework should be rationalised and clarified with focus on policy objectives. The establishment and implementation of a complete and effective HR strategy based from top to bottom on non-political appointments and meritocratic criteria should also be supported by the CSF. This strategy should also provide in particular for confirming and strengthening non-political senior and middle civil service so as to be at the core of policy implementation by having the lead in translating the broad policy vision and goals into concrete measures and actions, establishing its performance assessment and linking it to the milestones for public administration reform.

The judicial reform should also be supported by the CSF; it is important to improve the quality of civil justice procedures, promote mediation and other alternative means of dispute resolution, modernise court organisation, introduce and develop e-justice and develop the judiciary's human resource management.

The establishment and implementation of a complete and effective strategy for tackling systemic corruption in the public sector and for addressing black economy should also be supported by the CSF.

Support the development, promotion and application of e-government and e-services to citizens

A genuine strategy for single and entire internal ITC systems across the administration promoting e-government and e-services to citizens needs to be developed. The introduction of electronic signature and e-consultation for a rapid decision-taking are examples of initiatives that would enhance the efficiency and effectiveness of central government and regional and local administrations. E-services to citizens should mainly focus on services of high economic and social value, such as tax declaration and tax payment, issuance of various permits and certificates, e-Justice and e-Health. Data collection and management for creating a governmental wide knowledge management system and dissemination of good practices should all be part of such E-government and e-services strategy.

Enhance the capacity of stakeholders at national, regional and local level to mobilise for economic and social policy reform

The Greek administration should ensure that the capacity of stakeholders is apt to their solid involvement and contribution to the reforms and should support through the CSF funds their wide capacity enhancement in key issues linked with the reforms.

3. SUCCESS FACTORS FOR EFFECTIVE DELIVERY

In the Greek context, a number of significant structural reforms and in particular the reform of the public administration are essential to create a healthy, stable and friendly environment favourable to investments. They are also key conditions, both nationally and in relation to cooperation across borders, for the successful implementation of the CSF Funds which can only have optimal impact, if an appropriate and policy, legal and administrative framework is in place.

Therefore the new Common Provisions Regulation (CPR) will set out ex-ante conditionalities which are preconditions relating to the efficient use of EU Funds which should be fulfilled by the time a programme is approved. The Commission will formally examine the consistency and adequacy of the information provided by Greece in the framework of its assessment of the Partnership Agreement and programmes.

Where ex-ante conditionalities are not fulfilled by the time of submitting the Partnership Agreement to the Commission, Greece will need to lay down a series of actions to be taken at national and regional level and a timetable for implementing them. All ex-ante conditionalities need to be fulfilled by the deadline agreed and at the latest within two years of the adoption of the Partnership Agreement or by 31 December 2016. The detailed actions relating to the fulfilment of the conditionalities will be set out in the relevant operational programmes.

The following should be fulfilled:

- Administrative reform and administrative efficiency: a strategy for reinforcing administrative efficiency and reforming public administration should be in place. Simplify current implementation for the successful implementation of the CSF funds.
- Access to employment for job-seekers, particularly for young people and inactive people: (1) active labour market policies should be designed and delivered in coherence with the Employment guidelines and the Broad Guidelines for the economic policies of the Member States and of the Union regarding the enabling conditions for job creation, (2) a comprehensive strategy for inclusive start-up support should be in place in accordance with the Small Business Act and in coherence with the Employment guidelines and the Broad Guidelines for the economic policies of Greece and of the Union regarding the enabling conditions for job creation, (3) labour market institutions should be modernised and strengthened in accordance with the Employment Guidelines.
- A national or regional strategy on innovation based on smart specialisation should be put in place that outlines the measures to stimulate private investment in RTD and indicate the costing and budgets. A smart specialisation strategy should be central in developing new clusters, hubs and fields for innovation and entrepreneurial development based on regional features and competencies. It should also clarify short term needs (to re activate the economy) and long term investment needs (to promote an outward oriented economy).
- Lifting of the regulatory and administrative barriers in implementing effectively the Small Business Act (SBA).
- Education: a comprehensive strategy to reduce early school leaving (ESL) in accordance with Council Recommendation of 28 June 2011 on policies to reduce early school leaving should be in place – with clear, concrete and measurable targets and milestones for each education level and age-group, with time-frames for implementation and with tools for monitoring progress; also a strategy to shift resources and opportunities to the more disadvantaged through integrated interventions aiming to address territorial inequalities.
- Active inclusion/ Health: (1) existence and implementation of a national strategy for poverty reduction in accordance with Commission Recommendation of 3 October 2008 on active inclusion of people excluded from the labour market and the Employment guidelines, (2) a national Roma inclusion strategy should be in place in accordance with the EU Framework for national Roma integration strategies, (3) a national or regional strategy for health ensuring access to quality health services and economic sustainability should be in place.
- A digital growth strategy and a national next generation access (NGA) plan.
- With regard to fisheries and rural development specific measures to ensure administrative efficiency should be taken to guarantee the effective implementation of the EU funds. Greece should also pursue its efforts to improve data collection for fisheries management and the implementation of a Union control inspection and enforcement system. In addition, Greece should set up a multi-annual strategic plan for aquaculture.

- Full implementation of the EU environmental acquis. In particular, need to develop a roadmap for the effective implementation and respect of the EU environmental “acquis” in the areas of water, waste water and solid waste.
- Adopt a pricing policy for the use of water resources.
- State aid ex ante conditionality: Greece shall submit to the Commission an assessment concerning the fulfilment of the condition relevant to the existence of an independent body or authority that coordinates State aid issues, which has appropriate and dedicated resources (budget, qualified staff). Greece should also have a central State aid registry.

4. PRIORITIES FOR EUROPEAN TERRITORIAL COOPERATION

Effective solutions in many areas of development require a cooperative approach to challenges and opportunities that looks across the borders to share experiences.

Greece would therefore benefit from cooperation through the ETC programmes in the following areas:

1. Strengthening research, technological development and innovation, in particular on direct communication and links between the research and business communities, especially in the northern borders.
2. Protecting the environment and promoting resource efficiency.
3. Promoting sustainable transport and removing bottlenecks in key network infrastructure (e.g. the completion of the vertical axes of the Egnatia Highway, TEN-T networks, especially connectivity towards neighbouring regions and sea links. Supporting modernisation of EU customs infrastructure, equipment, and systems, as well as administrative capacity building, as appropriate. Improving transnational and cross-border aspects of governance related to cross-border crime and security, including the financing of capacity-building in customs systems.
4. Dissemination of innovative technologies and know-how; strengthening strategic cooperation between public authorities and economic development bodies; protecting and enhancing natural resources and heritage; promoting renewable energy and energy efficiency; reducing maritime risks and improving maritime safety and security in the Mediterranean sea; and improving accessibility to the sea and local ports through the use of intermodal transport solutions.
5. Addressing weaknesses to its tourist product through the cooperation with other Mediterranean countries.
6. Enhancing the potential of the blue economy and generating sustainable growth and new jobs in maritime sectors, such as the development of maritime and coastal tourism.

7. Improving coherence, coordination and alignment of policies and instruments having an impact on the maritime economy. Cooperation should focus on marine knowledge, Maritime Spatial Planning and Integrated Maritime Surveillance.

The objectives of the future programmes of the CSF Funds should all take into account the priorities of a potential maritime strategy for the Adriatic and the Ionian Sea. European Territorial Co-operation should aim at improving coherence, coordination and alignment of policies and instruments having an impact on the maritime economy and to better insert Greece in relation to e.g. developing key Mediterranean connections.

ANNEX

The annex contains the arrangements for effective programming and delivery, assessment of funding needs in relation to thematic objectives and assessment of specific aspects of administrative capacities.

A. ARRANGEMENTS FOR EFFECTIVE PROGRAMMING AND DELIVERY

Experience from previous programming periods indicates that a series of factors hindered the effectiveness of investment, in particular the lack of strategic vision, both domestically and in the broader regional context, the reluctance to change the administrative bureaucratic environment in order to ensure effective programming and quick implementation of projects. Endogenous problems continued to hinder progress of the completion of important projects. Greece has to ensure that the new investments would pave the road to its competitiveness, extraversion and increase of productivity. A general shift towards more coherent and innovative approach is necessary in order to demonstrate clearly the impact on attaining the structural reforms the country needs. For future ERDF investments in the areas listed below the Commission expects specific justification regarding their usefulness for attaining the Europe 2020 objectives and respect of the following considerations:

- In the field of environment, the European Commission will not co-finance projects concerning the rehabilitation of illegal landfills; the funding should focus on the construction of **integrated solid waste management projects** that promote new technologies and tackle efficiently the waste management problem in Greece, in accordance with the waste hierarchy and the waste management plans and prevention programmes. Landfilling would be co-financed only as part of an integrated solid waste management project, with the exception of small islands.
- In the field of public works, investment in **local roads** can be financed only when filling gaps necessary for the support of connectivity of remote areas.

Support needs to be granted in accordance with EU state aid rules. Financing should be concentrated to enterprise with growth potential to boost investment and create employment.

Structure of programmes

The structure of the operational programmes (OPs) should also reflect the focus of EU interventions on Europe 2020 objectives. The balance of funding, the number of programmes and the most suitable architecture will be developed in partnership with stakeholders in Greece and in negotiations with the Commission. Cooperation at all levels both sectorally and across borders is key to achieving quality of spending.

The proposed 2014-2020 legislation for the CSF Funds offers additional flexibility to set up programmes in each Member State to best match their institutional set-up. In addition, Annex I of the Commission's amended proposal for the Common Provisions Regulation includes elements of the Common Strategic Framework¹¹ and sets out different options

¹¹COM(2012) 496 final, 11.9.2012

for integrated approaches to programming to achieve coordination and synergies during implementation, which Greece is encouraged to explore.

The programme architecture proposed by the Greek authorities will have to operate in an efficient and timely manner. This system should guarantee ownership, proximity of decision making, effectiveness of interventions, sound and transparent financial management and accountability. The Greek national and regional authorities should draw conclusions of the experience of the previous programming periods in the context of the administrative reform at the national, regional and local level. Where necessary, timely actions should be taken to ensure the effective administrative capacity of national, regional and municipal authorities.

Complementarity and synergies

Complementarities between CSF Funds, both country-specific and addressing cooperation, should be designed at policy level and triggered into practice through specific implementation solutions, including, where relevant, Integrated Territorial Investments and Community-led Local Development. Greece is invited to present its approach and corresponding instruments as regards a co-ordinated use of funds in areas, where complementarities of funds are critical for efficient investment: health, education, entrepreneurship, urban development and public administration reforms.

Where relevant, the CSF Funds should exploit potential for synergies with the other EU instruments, such as the Connecting Europe Facility; Horizon 2020, COSME, the European Institute of Innovation and Technology (EIT), the LIFE programme, Erasmus for All and the Programme for Social Change and Innovation.

Integrated Territorial Investments (ITI) in Cohesion Policy allows the implementation of parts of programmes in a cross-cutting manner and can provide flexibility other than at the programme level to implement integrated actions. Where this mechanism is selected, Greece should define for each ITI an appropriate governance structure and in particular designate a management body. ITI allocations should be defined in the programmes.

The Partnership Agreement should set out the contribution to the integrated approach for territorial development; including – where appropriate – a planned integrated approach to sustainable urban development and the creation of a small number of growth poles / cities of excellence. It should identify the cities where sustainable urban development strategies will be implemented as well as the principles established for their identification.

Coordination

Coordination between policies and complementarity of interventions is the key condition for successful implementation of CSF Funds. Ministries, Regions and Managing Authorities responsible for the implementation of the CSF Funds should work closely together on the preparation, implementation, monitoring and evaluation of the Partnership Agreement and programmes. It is essential that a culture of a systematic monitoring is established and that all funds work in an integrated way at the delivery level.

Coordination of policies should be further improved. To that end it is recommended to:

- Ensure strong policy framework through development of binding strategic documents.
- Develop a strong coordination centre to improve enforcement of the development strategy.
- Streamline the implementation structure to ensure clear division of responsibilities and greater accountability of institutions involved. Institutions involved should provide real added value in the management processes.
- Ensure that support to fish catching sector contributes to an effective reduction in fishing capacity.

Community-led Local Development (CLLD) offers an integrated bottom-up approach in response to complex territorial and local challenges through the involvement of local communities. Well-designed Community-led Local Development initiatives, can efficiently address many development needs in particular in rural and coastal areas, but also in some small towns. CLLD in fisheries dependent areas aims at adding value to local products, foster diversification outside fisheries (including in other maritime sectors) enhance the local environment, promote socio-cultural well-being and strengthen governance, including by improving coherence, coordination and alignment of policies and instruments having an impact on the maritime economy. Greece is invited to explain its approach as regards CLLD across the CSF Funds indicating the main challenges, objectives and priorities, the type of territories, the role of local action groups and of different CSF Funds and coordination mechanisms. Greece should also indicate the preparatory support for local actors.

The cooperation options provided for in the 2014-2020 CSF Funds offers an opportunity to design programmes and to ensure optimum use of funding, higher efficiency and effective delivery in Greece with special emphasis on the regions. The administrative and regional decentralisation under implementation in Greece paves the way for such an approach as it attributes significant responsibilities to the regions regarding regional development and economic growth. In fact, a number of domains and interventions financed by the CSF Funds could be managed directly by the regions. This would bring the CSF Funds closer to regions and citizens and make the management more transparent with elected Governors directly accountable to their constituency.

B. ASSESSMENT OF FUNDING NEEDS IN RELATION TO THEMATIC OBJECTIVES

The following sections present the Commission Services' view on priorities for CSF Funds for Greece. They have been developed on the basis of the Commission services in depth country analysis¹² and selected from the 11 thematic objectives, which stem from Common Provision Regulation¹³ for CSF Funds adopted by the Commission on 6 October 2011. These 11 thematic objectives translate the Europe 2020 strategy into operational objectives to be supported by the CSF Funds.

¹² SWD(2012) 307 final; website: http://ec.europa.eu/europe2020/pdf/nd/swd2012_greece_en.pdf

¹³ COM(2011) 615 final/2;

http://ec.europa.eu/regional_policy/what/future/proposals_2014_2020_en.cfm#1

The 11 thematic objectives are common for cohesion, rural development and the maritime and fisheries policies; they ensure that interventions under these policies are aligned towards the achievement of joint objectives, those of Europe 2020. They provide a menu of possible funding objectives for the whole of the EU. According to each Member State's specific situation a more focussed selection is then made in agreement with the national authorities.

The challenges and funding areas for Greece correspond to the following thematic objectives:

Funding priorities	Related thematic objectives
A business-friendly environment conducive to investments	<p>Enhancing institutional capacity and an efficient public administration;</p> <p>Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF);</p> <p>Strengthening research, technological development and innovation;</p> <p>Enhancing access to, use and quality of information and communication technologies.</p>
Increase of labour market participation through improved employment, active inclusion and education/skill development policies	<p>Promoting employment and supporting labour mobility;</p> <p>Promoting social inclusion and combating poverty;</p> <p>Investing in education, skills and lifelong learning.</p>
Sustainable infrastructure for growth and jobs	<p>Promoting sustainable transport and removing bottlenecks in key network infrastructures;</p> <p>Supporting the shift towards a low-carbon economy in all sectors;</p> <p>Protecting the environment and promoting resource efficiency.</p>
Environment friendly and resource-efficient economy for growth and jobs	<p>Protecting the environment and promoting resource efficiency;</p> <p>Supporting the shift towards a low-carbon economy in all sectors;</p> <p>Promoting climate change adaptation, risk prevention and management.</p>
Administrative reform for an efficient and accountable administration	<p>Enhancing institutional capacity and an efficient public administration;</p> <p>Enhancing access to, use and quality of information and communication technologies.</p>

FUNDING PRIORITY: A BUSINESS-FRIENDLY ENVIRONMENT CONDUCTIVE TO INVESTMENTS

The objectives of the funding priority "**A business-friendly environment conducive to investments**" will be achieved primarily by thematic objectives "Enhancing institutional capacity and an efficient public administration", "Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)", "Strengthening research, technological development and innovation" and "Enhancing access to, use and quality of information and communication technologies".

Thematic objective: Enhancing institutional capacity and an efficient public administration
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For this thematic objective the funding priority translates into the following priorities and specific objectives, reflecting country specific challenges to be supported by CSF funds. This could include investment in institutional capacity and in the effectiveness of public administration and public services including the opening of the transport services market with a view to the implementation of a business friendly environment for all necessary type of investment that would ease the doing business in Greece. Efforts to strengthen the productive capacity of the Greek economy in recent years have identified poor design of business regulation and weak/fragmented administrative capacity as the principal impediment to new investment and business opportunities in Greece. The following are some examples of concrete actions which would help easing to do business in Greece. Given the importance of early progress of these reforms, initial phases should be launched under the current programming period, but could be continued and deepened in the period 2014-2020

- Acceleration and simplification of investment licensing procedures for businesses: projects could focus on measures to streamline and integrate the multiple permissions that are required from different Ministries before a piece of land can be used for commercial activity;
- Export facilitation through simplification of documentary requirements and procedures, and modernisation of customs administration. The road-map published by Greek authorities on 01.11.2012 describes the work to be done;
- More efficient and transparent procedures for the faster award of public contracts: there is scope for a wide range of actions to strengthen administrative capacity, and streamline procedures in Greek public procurement including equipping specialised procurement bodies to use new techniques and systems;
- Support for roll-out of new business tax record-keeping arrangements (code of books and records);
- Implement the anti-corruption roadmap;
- Improve processing speed and safety and efficiency of external trade by modernising customs equipment and systems and border crossing points;

- Simplifying company start-ups through measures to integrate administrative information from different registries and spare companies the costs of filing same information.

Actions under this thematic objective (11) may contribute, if relevant, to related interventions under thematic objectives 2 and 7.

Thematic objective: Enhancing the competitiveness of small and medium-sized enterprises including the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)

For this thematic objective the funding priority translates into the following priorities and specific objectives, ensuring coherence between national and cross-border initiatives, but also reflecting country specific challenges to be supported by CSF funds.

1. Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms.

- Ensure liquidity and access to finance for new SMEs by creating loan facilities, promoting SME associations and networking, facilitating access to new markets, and supporting new business models and introducing technologies and quality standards.
- Enhance competitiveness of SMEs by unlocking agriculture's potential based on quality products and innovation by promoting local markets and short supply chains. The setting up of a Farm Risk Management Scheme will help the effective management of the increased economic and environmental risks.
- Ensure that support in rural areas is directed to young farmers and young people through aid for business start-up in the agri-food/forestry sector. Diversification and business development in rural areas should represent one of the key points of the local development strategies.
- Enhance the competitiveness of SMEs in the fisheries sector by providing incentives to restructure fisher's organizations and producers' organizations and by increasing added-value to fisheries products. Focus on investments to promote organic aquaculture of market-valuable species and production techniques with high level of environmental protection. Foster the promotion and the marketing of fisheries and aquaculture products both at national and international level. Diversify the economic activity in coastal areas in particular by supporting business start-ups and the reassignment of vessels for maritime activities.
- Support innovative production and consumption patterns, in particular how SMEs in the agriculture, tourism, fisheries and aquaculture sectors can minimise the negative impacts on environment and resources (biodiversity, water etc.).

2. Developing new business models for SMEs, in particular for internationalisation.

- SMEs need to be provided with access to capital, improved management and organization systems in the supply chain, as well as improvement of the market organization to drive competitiveness and value adding capability.

- Develop incubators, provide training and support the creation of business angel networks with professional standards. Explore the possibility of creating an on-line one-stop-shop for potential investors/SME start-ups.
- Replicate a competitive technology industrial cluster approach to facilitate the rapid spread of good practice and ideas, nationally and across borders.
- Ensure the qualitative upgrade of the tourism sector and strengthen its links to other productive sectors of the country to develop new alternative types of tourism (eco-tourism) taking into account potential benefits from international linkages and know-how.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition, the following general considerations would improve governance and delivery:

- A clear strategy should be defined setting the policy objectives and priorities to be pursued in order to set-up an integrated set of instruments (state aids and non-state aids). Stakeholders should be mobilised and fully involved in the design and implementation of interventions.
- Investments should promote innovation and the objectives of Europe 2020 flagships and the policy initiative "Small Business Act".
- Simplify the assistance award procedure and set milestones and respect deadlines from the approval up to the disbursement of grants to SMEs.
- It is important to design a strategy to explore and develop more synergies among culture, tourism, entrepreneurship and education sectors and to invest in new technology (use of ICT to promote Greece cultural heritage) with a view to improving value-for-money and positioning Greece as a high quality tourist destination while focusing on sustainable types of tourism.

Actions under this thematic objective (3) may contribute, if relevant, to related interventions under thematic objectives 1, 2, 4, 6, 8, 9 and 10.

Thematic objective: Strengthening research, technological development and innovation

Europe 2020 headline target	Current situation	National 2020 target in the NRP
3% of expenditure on research and development	0,6% (2007)	2%

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by CSF funds:

1. Enhancing research and innovation infrastructure (R&I) and capacities to develop R&I excellence and promoting centres of competence, in particular those of European interest.

- Focus on success (e.g. gazelles or developing clusters with considerable externalities). Regional administrative capacity and governance in innovation policy should be improved.
- Interventions should be well-designed and targeted aiming to strengthen the links between universities/research institutions and the private sector (SMEs, large firms, agricultural and agro-industrial sectors), both domestically and abroad and develop innovative clusters based on regional comparative advantage.
- Create sector specific networks/ platforms driven by industry demands and the creation of university spin-offs thereby attracting (venture) capital and support from business angels. The mobility of researchers and innovators nationally and internationally between public and private institutes should be improved.

2. Promoting business R&I investment, product and service development, technology transfer, social innovation and public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation.

- Exchange of experiences and setting up networks and joint initiatives nationally and across borders will contribute to enhancing the RTDI development in Greece, and further enhance its regional dimension.
- Create a favourable environment for SMEs and promote instruments to support the implementation of innovative ideas such as innovation/knowledge clusters. Promote and scale up social innovations e.g. with incubators, platforms and networks.
- Focus on the sustainable revival of local and national economies and their extraversion. Ensure funds are effectively used for growth enhancing measures by promoting private investment and the participation of the business sector in RTDI.
- Provide support to local innovative SMEs to assist them in becoming more competitive and outturn oriented, e.g. internationalising, increasing networking & collaboration, improving their resource efficiency.

3. Exploiting the potential of the sea and rural areas for innovative growth opportunities.

- The European Innovation Partnership would provide the framework to improve cooperation between research and agricultural business environment and facilitate linkages between cutting-edge research, technology and farmers. Support the diversification and innovation of tourism products and services.
- In maritime and fisheries, blue energy, aquaculture, maritime, coastal and cruise tourism, marine mineral resources and blue biotechnology might be good examples of comparative advantage for Greece.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition, the following general considerations would improve governance and delivery:

- Restructure and rationalise innovation policy along the lines of Innovation Union.
- Adopt new, innovative, evidence-based R&D strategies to support a more competitive outturn economy.

- A regional differentiated approach or a sectoral approach should be pursued. .
- Policies to promote innovation, entrepreneurship, and quality of the business environment should be closely interconnected. Favourable conditions should be deployed to foster a growing venture capital market, especially for early stage investments.

Actions under this thematic objective (1) may contribute, if relevant, to related interventions identified under thematic objectives 2, 3, 4, 5, 6, 8 and 10.

Thematic objective: Enhancing access to, use and quality of information and communication technologies

For this thematic objective the funding priority translates into the following priorities and specific objectives both nationally and linked across-borders, reflecting country specific challenges to be supported by CSF funds:

1. Strengthening ICT applications for e-government

- Projects such as the cadastre and national registry, e-procurement, e-signature and e-invoicing should be supported and built up on the national registry.
- Support Greek maritime authorities and functions to ensure smooth and effective information sharing and join EU surveillance initiative of Common Information Sharing Environment.

2. Extending broadband deployment and the roll-out of high-speed networks.

- Promote Smart Specialisation Platform to advise, plan and implement broadband actions. Ensure no duplication of activities by setting up impact evaluation and assessment mechanisms.
- For major ICT infrastructures, strategic choices should be based on a realistic assessment of cost effectiveness. Sound project management and a clear line of command should be established in advance to reduce the risk of delays in the implementation phase. Ensure synergies between the private and public sector to technically design and deploy ICT programmes.

3. Developing ICT products and services, e-commerce and enhancing demand for ICT.

- Target ICT co-financing to SMEs with growth potential; ICT interventions should be linked with R&D and innovation centres. Promote the active involvement of the private sector in the delivery of ICT products and services.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition, the following general considerations would improve governance and delivery:

- Establish a comprehensive ICT strategy and proceed with a mapping of needs per sector and costs against available funds.

- Determine the functioning and inter-operability of networks by proceeding with an inventory of current infrastructure. Establish a realistic and mature project pipeline by effectively using TA funds.
- Ensure investments in e-government are pursued on the basis of a master plan to provide quality services to citizens and enterprises. Emphasis should be placed on projects with added value and impact,

Actions under this thematic objective (2) may contribute, if relevant, to related interventions identified under thematic objectives 1, 3, 8, 9, 10 and 11.

FUNDING PRIORITY: INCREASE OF LABOUR MARKET PARTICIPATION THROUGH IMPROVED EMPLOYMENT, ACTIVE INCLUSION AND EDUCATION/SKILL DEVELOPMENT POLICIES

The objectives of the funding priority 'Increase of labour market participation through improved employment, active inclusion and education/skill development policies' will be achieved primarily by thematic objectives 'Promoting employment and supporting labour mobility', 'Promoting social inclusion and combating poverty' and 'Investing in education, skills and lifelong learning'.

Thematic objective: Promoting employment and supporting labour mobility
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Europe 2020 headline target	Current situation	National 2020 target in the NRP
75% of the population aged 20-64 should be employed	59,9% (2011)	70%

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by CSF funds.

1. Sustainable integration of young unemployed and young people not in employment, education or training (NEET) into the labour market.

- Facilitate the transition from school to work by expanding the opportunities for young people to acquire a first work experience
- Provide targeted incentives to enterprises for hiring young unemployed (with a focus on long-term, low-skilled young unemployed)
- Reinforce counselling of young persons in their job search;
- increase work-based training opportunities for the young, paying particular attention to long-term young unemployed, through a broader offering of quality apprenticeships and traineeship contracts; introduce a "youth guarantee" by establishing schemes to offer further education, (re)training or activation measures to every young person not in employment or in education or training, within 4 months of leaving school;
- promote community-led schemes and initiatives offering community work to young people.

2. Self-employment, entrepreneurship and business creation.

- Reinforce well-designed and integrated support packages to set up a business combining financial incentives with training and accompanying support services

3. Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility.

- Promote a coherent and targeted activation policy along the lines of the "mutual responsibilities" approach; shift the focus to more cost-effective active measures and measures promoting eco-innovation, environmental professions and other green growth activities, in particular job search assistance, guidance and counselling and training; promote local integrated development strategies and initiatives, including for promoting diversification of activities and the creation of alternative jobs, including for farmers, fishermen and workers in the maritime economy.

Actions under this thematic objective (8) may contribute, if relevant, to related interventions identified under thematic objectives 1, 2, 3, 4, 5 and 10.

Thematic objective: Active inclusion and combating poverty

Europe 2020 headline target	Current situation	National 2020 target in the NRP
Reducing the number of people at risk of poverty or exclusion by 20 million in the EU	619 000 (2011)	reduction by 450 000 in the number of people at-risk of poverty or social exclusion by 2020

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by CSF funds.

1. Promoting the social economy and social enterprises.

- Ensure the effective implementation of the recently adopted institutional framework on social economy through a tailor-made strategy adjusted to the needs of social enterprises; explore the links of the development of the sector with the provision of social care services in a sustainable way.

2. Active inclusion

- Set up an integrated national active inclusion strategy targeting those most in need and those at risk of facing discrimination with a combination of adequate income support, access to quality services and targeted labour market activation measures such as those favouring an individualised approach and early profiling of participants.
- Promote active inclusion and prevent the social exclusion of disadvantaged and extremely marginalised communities such as Roma, minorities, homeless.
- Promote social and economic regeneration of deprived urban and rural communities; promote in particular the regeneration of the Athens capital region, by reducing urban unemployment, homelessness and social exclusion of legal migrants as well as by managing the effects of irregular migration.

- Improve the governance of the system and the quality of support by promoting stakeholders' participation and by ensuring a fully operational monitoring and evaluation system for active inclusion policies.
- In a period of crisis, public health system becomes increasingly important. The key objective is to provide good quality public healthcare service to all citizens. This could be achieved on the basis of a coherent strategy, based on clearly defined objectives at national and regional level including greater emphasis on health promotion and sickness prevention. In this respect, the upgrade and adaptation of skills of staff working in the health sector should be supported.

3. Investing in health and social infrastructure which contribute to national, regional and local development, reducing inequalities in terms of health status, and transition from institutional to community-based services.

- The construction of new hospital infrastructures should be rigorously justified while the operation, organisation and management of the existing ones improved. Certain health structures should become further specialized.

Actions under this thematic objective (9) may contribute, if relevant, to related interventions identified under the thematic objectives 2, 3 and 4.

Thematic objective: Investing in education, skills and lifelong learning

Europe 2020 headline target	Current situation	National 2020 target in the NRP
The share of early school leavers should be under 10%	13,1% (2011)	9,7%
At least 40% of 30-34 years old should have completed a tertiary education	28.9% (2011)	32%

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by CSF funds.

1. Reducing early school leaving and promoting equal access to good quality early childhood, primary and secondary education.

- Substantially increase access to quality early childhood education and care, especially for disadvantaged families.
- Reduce early school leaving by implementing comprehensive strategies encompassing prevention, intervention and compensation; these will include the expansion and quality improvement of all-day schools.
- Further upgrade teaching methods and strengthen teachers'/trainers' competencies, motivation and professional standards.
- Adapt for diversity and provide for the inclusion and success in education and training of all learners, including Roma, children with migrant-background and those

with disabilities and special needs. To this end, focus will be placed on the further development of education priority zones, including through the improvement of education infrastructures, particularly with a view to reducing territorial disparities and fostering non-segregated education.

- improve quality and equity at all education levels through monitoring, evaluation and the implementation of a quality assurance system.
2. Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems.
- Upgrade the quality and improve the attractiveness of vocational education and training at all levels including by: a) improving VET infrastructures; and b) removing dead-ends and developing clear and diverse pathways through VET (to general/academic upper-secondary education, to further learning, tertiary education and to employment).
 - Enhance the relevance of education and training programmes at all levels to labour market needs.
 - Increase participation in lifelong learning especially for priority target groups and non-traditional learners, including through the effective functioning of a system for the validation of non-formal and informal learning.
 - Promote the effective implementation of an integrated lifelong career guidance and counselling system.
 - Reinforce intelligence and anticipation capacities on evolving patterns of skill needs.
 - Supporting vocational training in the agricultural, tourism and forestry sectors.
 - Undertake actions to secure maritime employment and blue growth through the enhancement of higher levels of qualifications across sea-related traditional and emerging sectors. Education, lifelong learning programmes and related initiatives should work towards a better match of maritime skills and maritime industry demands and the offer of re-training alternatives.
3. Investing in education, skills and lifelong learning by developing education and training infrastructure.

- Existing infrastructures at all levels of education should be improved in order to respond to contemporary needs of teachers and learners ("all day school", laboratories, libraries, development of technical skills, ICT networking, sports etc.). Only where needed and there is no available infrastructure, new infrastructure would be built (e.g. kindergartens).

Actions under this thematic objective (10) may contribute, if relevant, to related interventions identified under thematic objectives 1, 2, 3, 4, 5, 8 and 9.

FUNDING PRIORITY: SUSTAINABLE INFRASTRUCTURE FOR GROWTH AND JOBS

The objectives of the funding priority '**Sustainable infrastructure for growth and jobs**' will be achieved primarily by thematic objectives 'Promoting sustainable transport and removing bottlenecks in key network infrastructures', 'Supporting the shift towards a low-carbon economy in all sectors' and 'Protecting the environment and promoting resource efficiency'.

Thematic objective: Promoting sustainable transport and removing bottlenecks in key network infrastructures
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For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by CSF funds.

1. Supporting multi-modal Single European Transport Area by investing in the TEN-T network and enhancing regional mobility through connecting secondary and tertiary nodes to TEN-T infrastructure.

- Investments to support maritime connectivity and multimodality such as, port facilities and transport connections with the hinterland. Construct infrastructure for sailing boats and/or cruise yachts including investments in cruise terminal facilities.
- Remove bottlenecks at and on the lines leading to rail border crossings.

2. Developing environment-friendly, resource efficient and low-carbon transport systems and promoting sustainable urban mobility.

- In urban areas such as Athens and Thessaloniki , the interconnection facilities between ports, airports, interurban and suburban rail should be completed and operational in the framework of a comprehensive sustainable metropolitan urban transport plan.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition, the following general considerations would improve governance and delivery:

- Develop comprehensive multi-modal transport strategy accompanied by a business plan that prioritise needs against available funds accompanied by a clear timetable for implementation and a realistic mature project pipeline.
- Completion of the Patras – Athens – Thessaloniki - Promaxonas rail axis,
- Connectivity should be addressed in the framework of cooperation (e.g. promoting sustainable transport and removing bottlenecks in key network infrastructure).
- Completion of the vertical axes of the Egnatia Highway, TEN-T networks,
- Ensure connectivity towards neighbouring regions as well as the hinterland and internal sea links with the islands.

Actions under this thematic objective (7) may contribute, if relevant, to related interventions identified under thematic objective 4.

Thematic objective: Supporting the shift towards a low-carbon economy in all sectors

Europe 2020 headline target	Current situation	National 2020 target in the NRP
20% of energy from renewables	9,7 % (2010)	18% of gross final energy consumption from renewable sources
20% increase in energy efficiency	800 Ktoe (2010) ¹⁴	2,7 Mtoe

For this thematic objective the funding priority translates into the following priorities and specific objectives, utilising good practice from elsewhere and reflecting country specific challenges to be supported by CSF funds.

1. Developing smart distribution systems at low voltage levels

- Decentralised production and consumption systems should be considered and effective feed-in schemes designed.

2. Promoting low-carbon strategies for urban and rural areas

- Promote smart and clean mobility solutions, in particular medium urban areas

Actions under this thematic objective (4) may contribute, if relevant, to related interventions identified under thematic objectives 1, 3, 7, 8, 9 and 10.

Thematic objective: Protecting the environment and promoting resource efficiency

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by CSF funds.

1. Addressing the significant needs for investment in the waste sector to meet the requirements of the environmental acquis.

- Construct modern solid and integrated waste management installations. Waste prevention and recycling should be strongly promoted in line with the waste hierarchy, in particular re-use, recycling and for non-recyclable materials, recovery.

2. Addressing the significant needs for investment in the water sector and meet the requirements of the environmental acquis.

- A mapping of the needs (urban waste water, drinking water, water collection and irrigation networks), should be a top priority to ensure conformity with the EU

¹⁴ The energy saving target of 9% (indicative) by 2016 as required by the Energy Saving Directive will be achieved, mostly thanks to the economic downturn rather than implemented energy efficiency measures.

directives. Ensure the finalisation and modernisation of the irrigation networks and irrigation water infrastructure in order to increase efficiency in the use of water by agriculture, through investments in more efficient irrigation and advice on water efficiency and appropriate water pricing. Water quality should be also targeted through the support of the manure storage in agricultural sector.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities, in particular those related to waste management (updating of Waste Management Plans and preparation of Waste Prevention Programmes) and water management (implementation of River Basin Management Plans and appropriate water pricing). In addition, the following general considerations would improve governance and delivery:

- Marine litter initiatives should be supported.
- Ensure that all current urban waste water treatment plants are operational and the sludge properly managed.
- Address the gaps in urban waste water collection and treatment, mainly for small agglomerations i.e. between 2000 and 10000 p.e (including those served by individual or other appropriate systems).
- In the context of modernising drinking water distribution infrastructure or treatment processes, take measures to reduce leakages.

Actions under this thematic objective (6) may contribute, if relevant, to related interventions identified under thematic objectives 1 and 5.

**FUNDING PRIORITY: ENVIRONMENT FRIENDLY AND RESOURCE-EFFICIENT ECONOMY
FOR GROWTH AND JOBS**

The objectives of the funding priority '**Environment friendly and resource-efficient economy for growth and jobs**' will be achieved primarily by thematic objectives 'Protecting the environment and promoting resource efficiency', 'Supporting the shift towards a low-carbon economy in all sectors' and 'Promoting climate change adaptation, risk prevention and management'.

Thematic objective: Protecting the environment and promoting resource efficiency

For this thematic objective the funding priority translates into the following priorities and specific objectives, again in both the national and broader regional context, reflecting country specific challenges to be supported by CSF funds.

1. Protecting biodiversity, soil protection and promoting ecosystem services including NATURA 2000 and green infrastructures.
 - Restore, preserve and enhance biodiversity through targeted agri-environmental measures; the CSF financing to NATURA 2000 objectives should be rationalised on the basis of a Prioritized Action Framework.
 - The protection of biodiversity and promotion of ecosystem services including green infrastructures will serve to support environmentally sound farming systems.

- Increase efficiency in the use of water by agriculture, through investments in more efficient irrigation and advice on water efficiency.

2. Action to improve the urban environment, including regeneration of brownfield sites and reduction of air pollution.

- Cities should be regarded as poles of growth, innovation and employment and, therefore, integrated projects enhancing their productive and entrepreneurial capacities should be supported. To reinforce urban regeneration, exchange of experience, as well as networking and joint initiatives/actions could be pursued, benefiting from international linkages and know-how.
- Air pollution coming from agriculture should also be tackled.

3. Protecting the marine environment.

- Support should be envisaged for the establishment of marine or fishing protected areas and provide adequate incentives for their management.
- Implement the reformed Common Fisheries Policy (CFP) and the development of sustainable coastal fishing communities (i.e. fishing at Maximum Sustainable Yield (MSY), eliminating discards, improve data collection for resource conservation purposes and strengthen the control in implementing the CFP.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition, the following general considerations would improve governance and delivery:

- Develop and implement a comprehensive and sustainable integrated urban interventions especially for Athens (and other cities where relevant).
- Support sustainable exploitation of marine waters and coastal areas by implementation the Marine Strategy Framework Directive, Integrated Coastal Zone Management (ICZM) and Maritime Spatial Planning (MSP).

Actions under this thematic objective (6) may contribute, if relevant, to related interventions under thematic objectives 1, 3 and 5.

Thematic objective: Supporting the shift towards a low-carbon economy in all sectors

Europe 2020 headline target	Current situation	National 2020 target in the NRP
20% of energy from renewables	8,2 % (2009)	18% of gross final energy consumption from renewable

		sources
20% increase in energy efficiency	800 Ktoe (2010) ¹⁵	2,7 Mtoe

For this thematic objective the funding priority translates into the following priorities and specific objectives encouraging linkages and use of good practices and reflecting country specific challenges to be supported by CSF funds.

1. Promoting the production and distribution of renewable energy sources.

- Priority should be given to the upgrade and expansion of the electric grid. In the context of energy market liberalisation, state aid is a new parameter in the design of interventions.
- Optimize the energy mix by increasing the exploitation of renewable energy sources in a financially sustainable way. Greece has the potential to go beyond the national target; renewable energies could grow to a market share of 25% of final energy consumption. Opportunities for the local economy and SMEs should be fully exploited, while decreasing cost for import of fuels.
- Facilitate and stimulate the supply and use of renewable sources of energy such as biomass, solar, wind energy, clean sea energy and hydro-electric energy, including in rural households and farms.
- Promote the uptake of renewable energy production on islands including by facilitating storage deployment of storage technologies (including pumped hydro installations).

2. Supporting energy efficiency and renewable energy use in public infrastructures and in the housing sector and in the area of agriculture.

- Improve energy savings, efficiency and system flexibility through measures such as "smart grids" and "smart metering", distance controls, tailor made applications. There is a large business potential in this sector especially for buildings and households. Provide incentives for increased efficiency in energy use in agriculture and food processing and through investments in more energy-efficient buildings and facilities, in particular in the housing sector.
- Develop environment-friendly energy production and limit the impacts on the environment especially in forest and agriculture areas.
- Develop ecosystem-based approaches to conserve and enhance natural carbon sequestration (forests, marine, soils) including rural and urban green infrastructure.
- Develop the capacity of carbon retention of soils and forests. Increase the energy efficiency of agricultural or forest operations.

¹⁵ The energy saving target of 9% (indicative) by 2016 as required by the Energy Saving Directive will be achieved, mostly thanks to the economic downturn rather than implemented energy efficiency measures.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition, the following general considerations would improve governance and delivery:

- An overall RES strategy should be developed and the management structures consolidated and strengthened.
- It is imperative that a number of initiatives are pursued, especially the implementation of the 'energy efficiency of households' programme, the 'special programme for the development of photovoltaic systems in buildings' and green tourism actions.

Actions under this thematic objective (4) may contribute, if relevant, to related interventions under thematic objectives 1, 3, 7, 8, 9 and 10.

Thematic objective: Promoting climate change adaptation, risk prevention and management
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Europe 2020 headline target	Current situation	National 2020 target in the NRP
Greenhouse gas emissions 20% (or even 30%,) lower than 1990	- 9,2% (2009)	Reduction of Greenhouse Gas Emissions in non-ETS sectors by 4 % (compared to 2005).

For this thematic objective the funding priority translates into the following priorities and specific objectives, which- given the nature of the challenges- must be implemented in cooperation with neighbours in the broader region context, reflecting country specific challenges to be supported by CSF funds.

1. Promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems.

- Ensure the forest cadastre is completed and compatible to the national cadastre. The finalisation of spatial planning and land use will contribute significantly in attracting private investment. An integrated management system related to the state owned land has to be developed, operated and efficiently managed.

Assuring performance of investments by CSF Funds under this thematic objective requires meeting the relevant ex-ante conditionalities. In addition, the following general considerations would improve governance and delivery:

- Ensure a comprehensive strategy for the protection and restoration of forests, biodiversity and ecosystem services, particularly those sites/habitats that have been heavily modified.
- Develop and implement strategic preventive measures for flood, fire and coastal erosion to resolve forest protection/fire fighting and restoration, soil protection and other natural risks.

Actions under this thematic objective (5) may contribute, if relevant, to related interventions under thematic objectives 1, 3, 8 and 10.

FUNDING PRIORITY: ADMINISTRATIVE REFORM FOR AN EFFICIENT AND ACCOUNTABLE ADMINISTRATION

The objectives of the funding priority '**Administrative reform for an efficient and accountable administration**' will be achieved primarily by thematic objectives 'Enhancing institutional capacity and an efficient public administration' and 'Enhancing access to, use and quality of information and communication technologies'. Good practice from elsewhere should also be encouraged.

Thematic objective: Enhancing institutional capacity and an efficient public administration
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For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by CSF funds.

1. Investment in institutional capacity and in the efficiency of the public administration, key public services and the judiciary with a view to reforms and good governance.

- Reforms specific objective: establish a strong dedicated governmental mechanism to take full ownership of reforms and be empowered with the essential functions and powers to steer, arbitrate, and decide at the political level.
- Governance specific objectives: consolidate the comprehensive functional review of the public administration; complete and consolidate the review of governance at regional and local levels; put in place a coherent anti-corruption strategy and consolidate its implementation by establishing a sound coordinating mechanism.
- Financially oriented specific objectives: Enhance revenue administration and public expenditure management; enhance management in sectors with important financial impact such as public procurement, health, business environment and investments promotion (Strategic Investment Promotion Agency and authorities responsible for the planning, assessment and follow-up of programmes and projects in the sectors of transport and energy, for regional land use, etc.), and the maritime sector (data sharing and capacity building between maritime authorities).
- Judiciary specific objectives: Improve the efficiency and quality of civil justice procedures, including written procedures, small claims, insolvency procedures and enforcement of decisions, and promote the exchange of related best practices and advocate mediation and other alternative dispute resolution; modernise court organisation and develop human resources management, self-administration, accountability and transparency of the judiciary.
- Enhance the capacity of stakeholders for their solid involvement and contribution to the implementation of reforms and policies.

Actions under this thematic objective (11) may contribute, if relevant, to related interventions under thematic objective 2.

Thematic objective: Enhancing access to, use and quality of information and communication technologies

For this thematic objective the funding priority translates into the following priorities and specific objectives reflecting country specific challenges to be supported by CSF funds.

1. Investment for the development and application of e-government and e-services to citizens and businesses.

- Ensure readiness of the central, regional and local administrations to apply e-government and e-services to citizens and businesses through the appropriate reorganisation of the relevant administration entities and the review and simplification of administrative procedures and processes.
- Enhance coordination and ownership, and inter-connections at the level of the Ministries, at the level of regional and local administrations, and between central and regional and local administrations.
- Extend knowledge of the sea and increase efficiency of marine activities and maritime data use and collection.

Actions under this thematic objective (2) may contribute, if relevant, to related interventions under thematic objective 1.

C. ADMINISTRATIVE ARRANGEMENTS

General assessment of administrative capacities

During the current and previous programming periods, a series of factors influenced the implementation of programmes such as:

Weak policy-making capacity at the administrative level due to the unclear demarcation between administrative and political levels in the management/implementation of policies which results in the lack of ownership in the public administration; enactment of reforms and policy making vulnerable to changes in the political leadership of ministries; limited capacity to steer and sustain the momentum of reforms over changes in governments.

Bureaucratic, complex and ineffective management and control system of the NSRF; excessive number of time consuming procedures delaying or/and blocking decision-making and implementation of programmes and operations (e.g. joint inter-ministerial decisions, issuance of permits, such as archaeological permits, tendering procedures and contracting, etc.); delayed application of newly adopted legislation (e.g. social economy, higher education, lifelong learning).

Lack of administrative, managerial and organisational capacities in particular at the level of beneficiaries; lack of adequate, in terms of quantity, human resources in managing and implementing bodies of EU programmes.

Project delivery

- To ensure smooth delivery of projects it is recommended to: Streamline public procurement procedures relating to public works and other actions, including stricter and time bound procedures for lodging appeals on tender decisions
- Remove the obligation for inter ministerial and inter party parliamentary approval for major projects
- Establish an entity at central administrative level to handle complaints relating to the implementation of CSF interventions.
- In line with the regional reform, proceed with a clear mapping of responsibilities and competencies including implementation modalities for delivery between central, regional and municipal authorities.
- Reconsider the approach of approving projects of small value and move to big projects. Currently there are thousands of projects to be implemented by – almost an identical number of final beneficiaries. This practice makes the management more complex and adds to the administrative burden.
- Limit the number of studies for the maturation of projects to the necessary minimum. Fully explore the already existing studies as well as the in house technical capacities of the beneficiary e.g. the public administration to deliver studies and implement public works.
- Establish a mechanism to verify and accept the quality of technical studies.
- The staffing of managing authorities should be done on a long-term basis on transparent and objective criteria, and cover specific profiles, such as specialized lawyers, IT officers, statisticians,
- Managing authorities should make use of the Technical Assistance funds for obtaining external expertise in specific scientific or technical areas, and developing in-house expertise.
- E-cohesion and adequate qualitative and effective training of staff - e-cohesion will apply to the future programming period meaning that all exchanges of information between beneficiaries and authorities responsible for the management and control of programmes should be carried out electronically.

Administrative burden

Greece is encouraged to reflect on how sound financial management could be enhanced. Greece should ensure an effective and efficient control environment and be able to confirm in advance the operability of its control system.

The Managing Authority and the Intermediate Bodies in Greece need to:

- Significantly simplify the complex and ineffective processes and procedures of the management and control system.

- Ensure, in the area of rural development, an effective and efficient control environment and confirm the operationality of its control systems.
- In the area of rural development, the services responsible for implementation and controls should ensure the verifiability and controllability of the measures proposed.
- Set clear lines of responsibility and accountability at all involved players and, in performing the respective tasks, avoid substitution of the beneficiaries by the managing authorities (e.g. in controlling ex-post of tender documents).
- Simplify the "signature trail" and introduce the electronic signature as well as establish a system of continuity of operations.
- De-centralise and simplify payments procedures, in order to achieve smooth and timely payment of beneficiaries and projects promoters.
- Fully and promptly apply the judicial efficiency measures introduced in the recent reforms of the Code of Administrative Procedure, such as preliminary rulings ('pilot proceedings') provided for in Article 1(1) of Law 3900/2010, to reduce backlog and disposition time concerning cases related to EU Funds co-financing (NSRF – CSF). Encourage the use of alternative dispute resolution processes, such as mediation, to rapidly resolve such disputes out of court.
- Where possible, use simplified costs.

Partnership

Active participation of relevant partners at each stage of the programming cycle improves the quality of implementation.

Therefore, Greece needs to reinforce consultation and take measures for a more systematic involvement of partners and stakeholders during the implementation phase of projects. Particular attention needs to be given to the involvement of environmental partners (e.g. through a proper implementation of the SEA Directive) as well as social partners (mainly, for developing lifelong learning pathways).

The recent first implementation of Leader and the experience in establishing Local Action Groups as well as in implementing their strategy should be further built upon.

Preparation for the next period

Greece is strongly encouraged to take promptly all necessary measures for the effective launching of the new programming period as of the beginning of 2014. In this context, the Greek authorities should consider setting up a working structure to reinforce coordination and to focus exclusively on preparations for the next programming period; its main tasks should be to make sure that not later than the end of 2013:

- All necessary legal provisions are put in place for the CSF management to ensure its effective and efficient functioning. These need to be based on the new EU regulations, taking particularly into account the rules for monitoring and

evaluation linked to performance and result orientation, and the work on the simplification of the 2007-2013 management and control system which is currently being carried on by the Greek authorities with the support of the Structural Funds and the Task Force for Greece.

- All necessary support actions are taken while the legal provisions are put in place. These would include adequate staffing and setup of the authorities involved in the delivery of the funds and training on the new EU regulations and domestic legislation, as well as on administrative / electronic tools, such as the MIS.
- The MIS and other administrative tools are adapted / created / fully functioning in line with the new EU regulations and domestic legislation.
- A mass of projects to be implemented in the first year of the new period is identified and matured.
- Confirmation of beneficiaries' administrative capacity by an acknowledged standardisation organisation is completed.