
Product Market Reforms in Greece—Unblocking Investments and Exports

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Summary: While Greece's poor record on investment and exports predates the crisis, the deep economic recession has made addressing long-standing weaknesses a priority. This paper takes a closer look at selected structural reforms that are critical for bolstering investments and exports in Greece. We investigate the areas of licensing, competition, professions, land use, and trade facilitation. In all areas significant progress has been made since 2010. However, many reforms are only partially implemented and with delays. Based on the challenges at, and progress since, the outset of the crisis, we chart the way forward in each of the five areas, discussing what needs to be done to improve the patchy reform record, thus unblocking investment and exports for Greece.

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→ Keywords: Barriers to competition, business licensing, Greece, land use, structural reforms, trade facilitation

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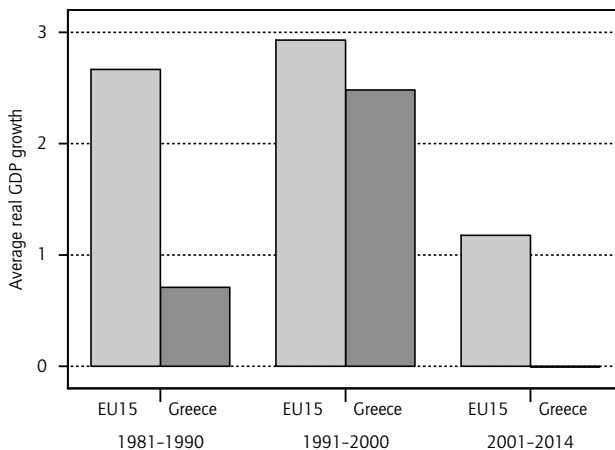
I Introduction

The way out of the crisis in Greece depends critically on a wide range of institutional, economic and social reforms, including making product markets friendlier for investment and exports, as well as making goods and services better and cheaper for consumers. During the economic crisis, companies, lacking financing and customers, downsized or went out of business. This severely curtailed investment and exports in Greece. However, even before the crisis, business investment, both domestic and foreign, and exports were low in Greece. Weak product markets and feeble innovation have held back Greek GDP and productivity growth since the early 1980s (Figure 1 and Figure 2). Greece's predominately small and inward-looking enterprises (Figure 3) were not just poorly equipped to reap the benefits of the European single market and globalisation, but also, in the absence of established export channels, fully exposed to the collapse in domestic demand (Figure 4). Businesses struggled, especially as competitiveness deteriorated in the run-up to the crisis, which contributed to the loss of 30 positions between 2003 and 2007 in the World Economic Forum global competitiveness ranking (Schwab et al. 2007, Sala-i-Martin and Schwab 2004).

Improving competitiveness requires not only lowering wage costs through labour market reforms but also improvements in non-wage competitiveness through product market reforms. The poor record on investment and exports relates to a host of long-term constraints confronting Greek businesses: fragmented and complicated regulations; unpredictable, time-consuming and costly procedures; restrictions to entry and on fees or prices; lack of clear property rights; and a complicated spatial planning system. Such weaknesses explain a significant part of Greece's export gap compared to similar countries in terms of GDP and geographical position. Böwer et al. (2014) estimate that Greece exports about one-third less than what regular international trade patterns suggest. For example, exports of goods and services as percent of GDP were only 33 percent in 2014, compared to 43 percent for the EU.

Figure 1

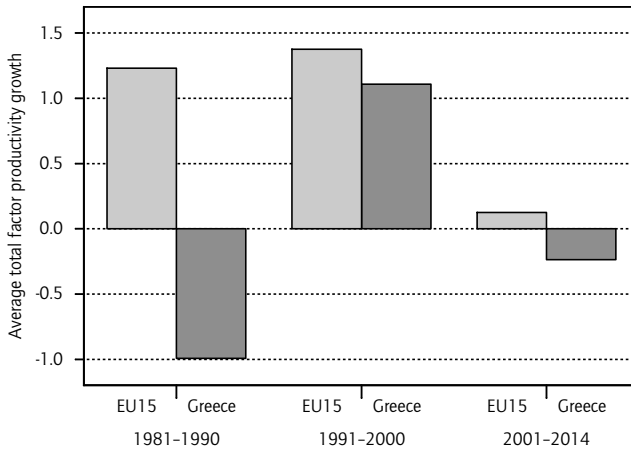
Growth in Greece lagged behind the EU15 since EU membership in 1981



Source: Ameco.

Figure 2

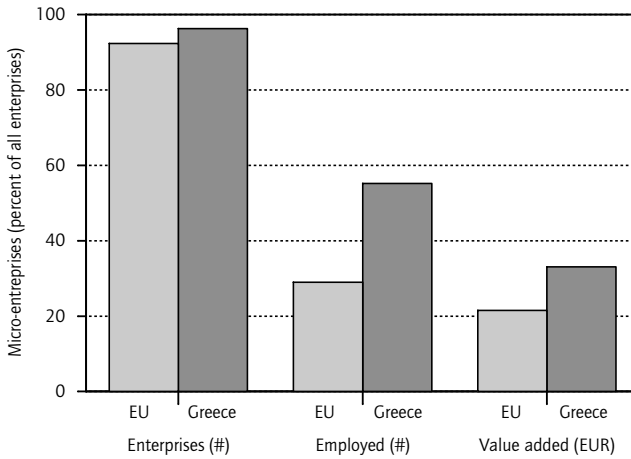
A reason for the weaker growth performance is low total factor productivity growth



Source: Ameco.

Figure 3

Micro-enterprises in Greece matter more for jobs and value added than in other EU countries



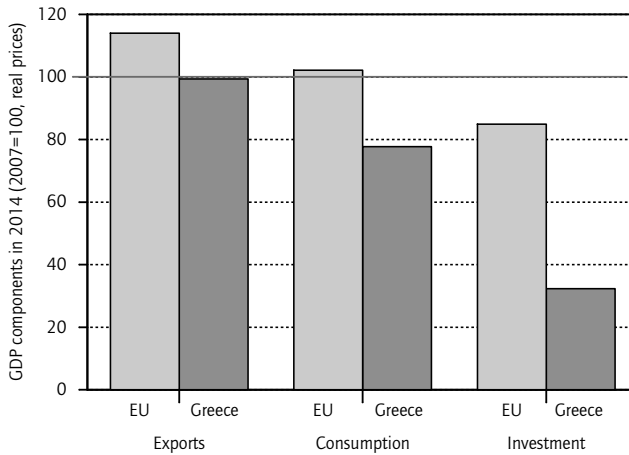
Source: Eurostat.

Since the beginning of the economic adjustment programmes in Greece in May 2010, Greece has been working towards, among others, removing barriers to competition, reducing the administrative burden on businesses, opening regulated professions and improving land management. Contrary to perceptions that the programme was centred only on fiscal adjustment and financial

Figure 4

During the crisis, exports held up much better than domestic demand in Greece

2014



Source: Eurostat.

stabilisation, it included from the outset a strong focus on product market and other structural reforms. Over time, the structural reform pillar of the programmes became more detailed to address delays in implementation in the face of strong vested interests, low social capital and weak administrative capacity.

In this paper, we take a closer look at selected product market reforms in Greece critical for bolstering economic activity. We will focus on five areas affecting the business environment in which investments and exports take place: licensing, competition, professions, land use, and trade facilitation. Since data tracking structural reforms in these areas are rare, we draw on a broad range of quantitative and qualitative evidence both from within and outside of Greece. For key reform measures in each area, the paper assesses whether structural reforms were partially or fully implemented and whether results have been delivered. Based on the challenges at the outset of the crisis and the evident progress, we chart the way forward in each of the five areas, discussing what needs to be done to improve the patchy reform record, thus unblocking investment and exports for Greece.

2 Licensing

At the onset of the crisis, licensing regulations in Greece were a principle bottleneck for investment. Numerous and fragmented regulations as well as complicated and time-consuming procedures made the licensing process both costly and highly uncertain for businesses. This red tape led to significant administrative burdens, facilitated corruption, and, most importantly,

discouraged investors. It contributed to the low pre-crisis levels of business investment and FDI inflows into Greece as compared to other European countries (Figure 5 and Figure 6).

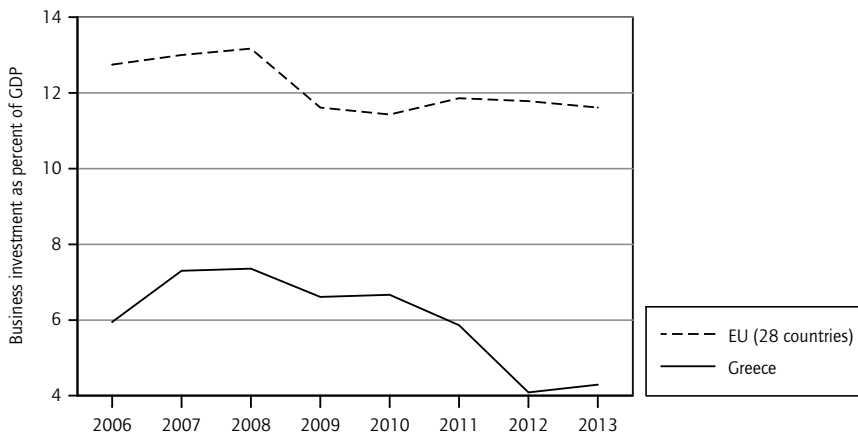
In response to the crisis, improving business licensing to encourage investment was a priority of the Greek government. To facilitate the creation of new businesses, one of the first actions was to establish a one-stop shop approach in 2010, following the example of countries such as Austria and the Netherlands. In April 2011, the General Electronic Commercial Registry (GEMI) was launched, which is a unified company registration that allows for the electronic processing of business registration documents (European Commission, 2014). GEMI is connected to 3,200 notary offices and about 60 chambers of commerce that provide consultation and serve as one-stop shop for businesses. Furthermore, in 2012 a new capital company type (IKE) without minimum capital requirement was created in order to facilitate the establishment of new businesses.

In an effort to attract large scale public and private investments, the fast track licensing was introduced in 2010 and enhanced in 2013 for investments exceeding certain value or job creation thresholds. It provides an expedited licensing procedure for strategic investments facilitated by Enterprise Greece, the investment and trade promotion agency, under the guidance of the Ministry of Economy. Projects are approved by a specialised inter-ministerial committee for strategic investments. According to Enterprise Greece, 10 projects have been approved under the fast track mechanism, including five related to solar parks and three to tourism. These projects are estimated to have created more than 3,000 jobs.

For the bulk of Greek companies, the simplification of standard licensing procedures is a priority, as they are too small to benefit from fast-track procedures. In 2011, an initial simplification of licensing procedures in the manufacturing sector and for business parks was adopted, although it took up to 2014 before these changes were implemented. In 2014, a fundamental overhaul of

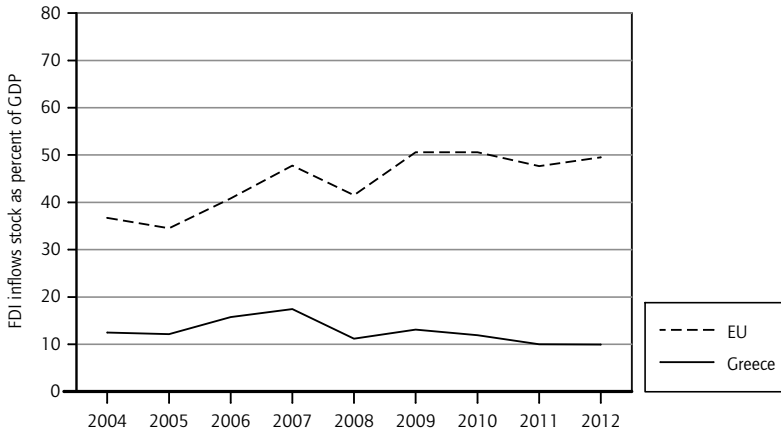
Figure 5

Business investment in Greece was low already before the crisis



Source: Eurostat.

Figure 6

FDI inflows to Greece were low already before the crisis

Source: Eurostat.

the system was launched with support of the World Bank. It aims to create an integrated licensing framework where the licensing procedure differs according to the risks involved in an economic activity. While high risk categories continue to rely on an the established *ex ante* permit system, low and medium risk categories are moved to a system of self-declaration where *ex post* assessments of compliance are outsourced to accredited third parties. On this basis, in late 2014, the authorities simplified 103 licenses for the operation of low-risk economic activities in the industrial sector and eliminated horizontal licensing requirements linked to fire safety.

Another important concern for investors were strict requirements on environmental licensing. Before the crisis, environmental licensing was the most time consuming of all licensing procedures and did not actually result in environmental protection (Ministry for the Environment, Energy and Climate Change 2013). The major problem was the disproportionate amount of project and activity types that required the submission and evaluation of environmental licensing files. It exceeded by far the standards prescribed by the relevant 2011 EU Directive, creating an unnecessary administrative burden for private businesses and public administration. Table 1 shows the annual average numbers of environmental licensing case-files in 11 EU countries from 2005 to 2009. As can be seen, the number of environmental licensing cases per million inhabitants in Greece was over 30 times than the number in France, the country with the second most environmental licensing cases, and was more than 600 times than the number in Austria. Furthermore, particularly for larger projects with a potentially significant impact on the environment, the time needed for approval often exceeded 20 months, sometimes taking up to 42 months. For an investment project of 1 million euro in the mining sector, a six-month delay in the environmental permitting process is estimated to lead to opportunity costs of 65,000 euro (SEV 2014). A large part of these delays was due to compulsory preliminary impact assessments, as well as the final approval through a Joint Ministerial Decision, often by up to 4 Ministers. Finally, the strong focus of administrative capacities on *ex ante* environmental assessment studies, given the limited

Table 1

Before the reform, the number of environmental licensing cases-files in Greece exceeded by far the numbers of other EU countries

Member State	Average number of Environmental Licensing Cases-Files/year	Population	Annual number of Environmental Licensing Cases-Files/million residents	GNP in billion euro	Annual number of Environmental Licensing Cases-Files/billion euro
Austria	23	8,375,290	3	284.4	0,09
UK	334	62,008,048	5	1,696.6	0,20
Finland	38	5,351,427	7	180.3	0,21
Germany	1,000	81,802,257	12	2,498.8	0,40
Hungary	152	10,014,324	15	98.4	1,54
Belgium	183	10,839,905	17	352.9	0,52
Denmark	125	5,529,449	23	234.0	0,53
Spain	1,054	45,989,016	23	1,062.6	0,99
Poland	2,200	38,167,329	58	354.3	6,21
France	3,867	64,716,310	60	1,932.8	2,00
Greece	21,534	11,305,118	1,902	230.2	93,4

Source: Ministry for the Environment, Energy and Climate Change (2013).

public budget, led to a lack of compliance control during the operation phase of the projects, the stage when actual environmental harm is most likely to occur.

In 2011, the Greek legislators radically simplified the environmental licensing procedures for a wide range of projects and activities, addressing most of the problems outlined above. Most importantly, following common EU practice, it introduced a new category of projects, abolishing the requirement to present an environmental report for a many projects with an usually small environmental impact. Furthermore, while preliminary assessment reports used to be compulsory, with the reform they became optional and the validity of previous environmental conditions approvals was prolonged to 10 years. Therefore, as seen in Table 2, the number of assessment reports decreased almost 90 percent in 2012. Additional reform measures included a reduction of time delays, a standardization of the required contents of assessment reports, a plan to set up a digital environmental registry, as well as increasing the efficiency of compliance controls and increasing the number of inspections. As far as economic benefits are concerned, the Greek Ministry of Environment, Energy and Climate Change estimates that the reduction of administrative burden leads to total savings of around 85 million euro per year, more than half of it benefitting the private sector.

Thanks to such licensing and business registration reforms, the ranking of Greece in the World Bank Doing Business report has improved significantly (Figure 7). For starting a business, Greece reduced the gap to the best performance from 29 percent in 2010 to 9 percent in 2015 (World Bank 2015). In 2013, Greece recorded the largest improvement in this category of any country since the Doing Business ranking was started (World Bank 2013). Relatedly, the time needed to set up a business was reduced significantly for the new capital company type IKE between 2012

Table 2

The number of environmental licensing case-files decreased significantly after the implementation of Law 4014/2011

Assessment type	Number of assessment reports		
	2005–2009 average	2012	Reduction in percent
Cases-Files of DAEC renewal/ amendment	1,589	769	51.6
Environmental Impact Assessment reports (EIA)	3,807	1,540	59.5
Preliminary Assessment reports	2,816	66	97.7
Environmental reports with less significant environmental impact	13,322	0	100.0
Total	21,534	2,375	89.0

Source: Ministry for the Environment, Energy and Climate Change (2013).

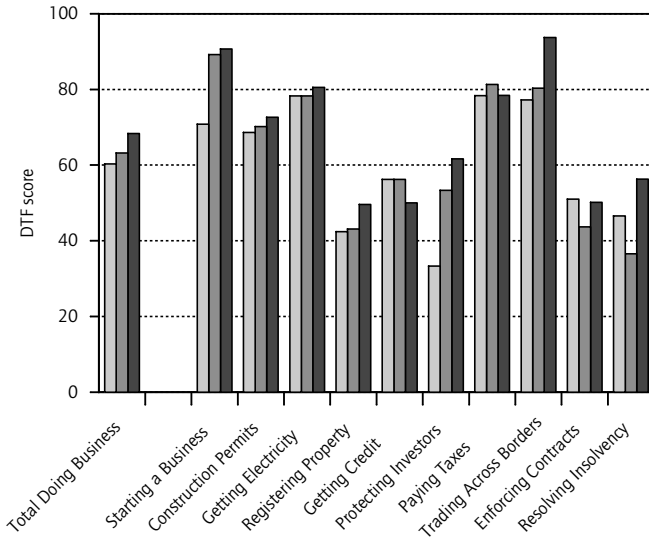
and 2015, as seen in Figure 8. Furthermore, IKE has become increasingly popular, representing close to three in four of newly capital companies in 2014 (Figure 9).

However, even though there has been significant progress, much remains to be done to make these reforms fully operational and lift Greece from the bottom to top ranks of business friendliness among EU countries. For the investment and environmental licensing reforms, key outstanding measures include the following:

- Existing provisions for investment licensing must be streamlined based on a careful screening in line with the 2014 law. These legislative reforms require parallel multi-year efforts in other areas, such as the development of certified business-to-business service providers that can act as consultants to investors and as auditors for compliance; the reorganization of the public administration involved in training, accreditation procedures and evaluations; and the development of the IT infrastructure.
- Important parts of the 2011 environmental licensing legislation still require implementation (OECD 2014). This includes the introduction of private reviewers for environmental impact assessments and the drafting of environmental permits. This reform will speed up the process and allow civil servants to focus on the most important projects. In addition, the online environmental-licensing platform based on a digital environmental registry needs to be made operational.

Figure 7

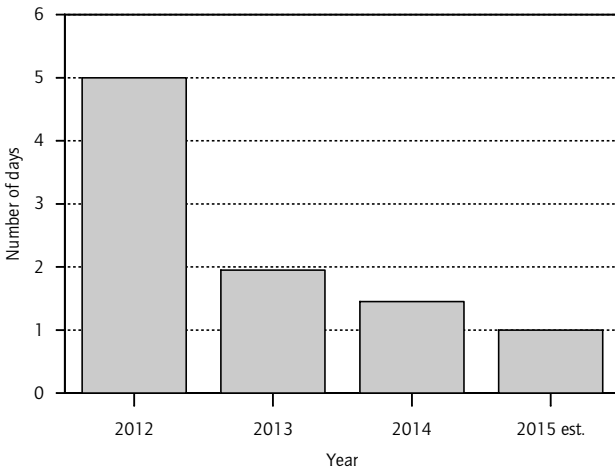
The doing business distance-to-frontier score (frontier = 100) increased significantly in most areas over the last 5 years



Source: World Bank.

Figure 8

The average duration of business registration of the new capital company type "IKE" decreased substantially since its introduction in 2012

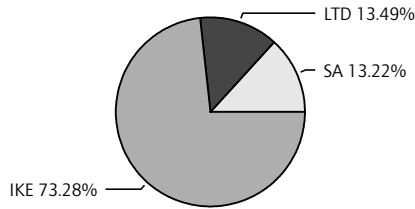


Source: GEMI, Ministry of Development (2015).

Figure 9

Distribution of new capital companies in 2014

Private Companies (IKE) seem to be an attractive alternative to the regular Limited Liability Company (LTD) and the Societe Anonyme (SA)



Source: GEMI, Ministry of Development (2015).

3 Competition

Legislative barriers to competition, often adopted under the influence of rent-seeking firms (Mitsopoulos and Pelagidis 2009), have contributed in Greece to inefficient production and high consumer prices. Fostering competition and lowering prices are a key part of the economic adjustment in Greece. For consumers, this makes the pay check last longer and widens their choice. As prices fall, more people can afford the products, overall demand increases and well-run businesses take a bigger slice of the market, allowing them to grow and expand, including to foreign markets.

Various regulatory restrictions for competition have been abolished in Greece with the support of the OECD and the Hellenic Competition Commission. Some of the reforms, such as the deregulation of Sunday trade and sales of over-the-counter medicines, are following general liberalization trends across European and OECD countries, while other reforms, such as lifting the 5 day shelf life restriction for fresh milk removed restrictions specific to Greece. In the following, we discuss the deregulation efforts for Sunday trade, fresh milk and baby milk to illustrate the economic reasoning and implementation difficulties of such reforms.

Regulations on Sunday trade vary significantly across European countries. For example, Sunday trading is completely liberalized in Sweden, generally forbidden in Norway, and depends on the city or region in France and Germany, respectively. In Greece, Sunday trade was forbidden for all retailers except for specific authorised shops such as restaurants, cafes, and kiosks, as well as shops located in certain touristic areas.

The restriction of Sunday trading has several detrimental effects on competition. It restricts consumer choice, puts students and others willing to work on Sundays at a disadvantage, and adds to congestion. The economic literature on liberalization of Sunday trade in other countries points toward a positive effect on employment (Pilat 1997, Goos 2004), mainly due to an increase in the number of workers employed instead of hours worked (Gradus 1996, Skuterud 2005). The effect on sales volumes is also positive (Goos 2004, Prodromidis, Petralias and Petros 2012) or neutral (Reddy 2012), while it is ambiguous for market concentration and prices (Reddy 2012, Inderst and Irmen 2005), perhaps as it depends on a range of other factors. For Greece, the OECD es-

timated that deregulating Sunday trading hours would lead to around 30,000 new jobs and 2.5 billion euro of additional annual expenditures (OECD 2014b). Among the reforms considered and quantified by the OECD, this would have, by far, the largest effect.

Despite the expectation of positive economic effects, including on job creation, the efforts to liberalise Sunday trading in Greece were met with resistance (Eurofound 2015): employees feared uncontrolled flexibility and employers a detrimental effect on small retailers.

Notwithstanding such resistance, in 2013 the authorities allowed shops of all sizes to open on 7 Sundays each year. In addition, for small shops, regional administrations can decide whether to allow trading on additional Sundays. In July 2014, Sunday trade was expanded to all commercial shops in three touristic areas for a one year pilot exercise that could possibly followed by a general liberalisation throughout the country. However, in autumn 2014, the Council of State, Greece's supreme administrative court, suspended temporarily this pilot, and the final verdict, as of December 2015, is still pending.

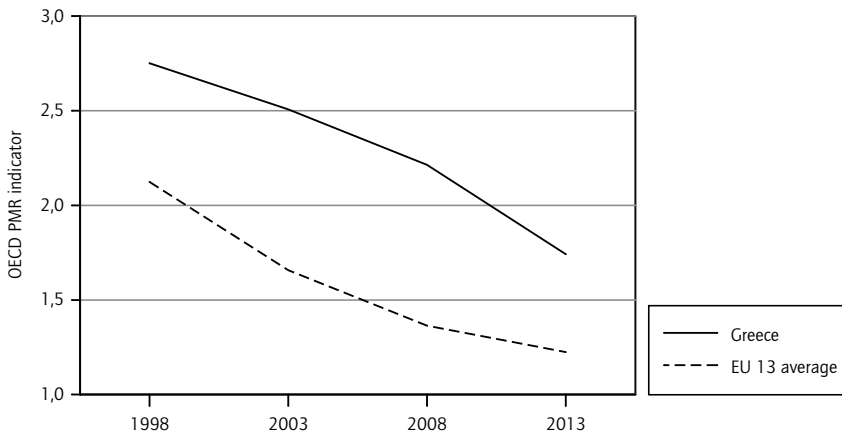
While many EU countries have rules for Sunday trading, Greece had special regulations for the milk sector that reduced competition, restricted consumer choice, and increased consumer prices. In Greece, there was a unique distinction of milk based on pasteurization temperatures that had implications on whether it was marketable as “fresh” or not. Such fresh milk had a fixed shelf-life of five days, in contrast to an average shelf life of around 10 days of comparable milk across Europe (OECD 2014b). For all other types of milk or dairy products, shelf life was at the discretion of manufacturers, as is common throughout Europe, including for fresh milk. This specific restriction in Greece therefore harmed competition in several ways. In particular, Greek milk producers were protected from foreign milk imports; consumer choice in some areas was restricted; small, remote producers were put at a competitive disadvantage as they did not have enough time to supply urban centres; and the short shelf-life led to excessive logistic costs of collection and return of expired products. As a result of these restrictions, producer prices and retail prices of fresh milk were around 35 percent higher in Greece than the EU average between 2008 and 2012. The OECD estimated a consumer benefit of 33 million euro with the abolition of the five day restriction (OECD 2014b).

Perhaps due to the resistance of the local milk producers supplying urban centres, in April 2014, the Greek government introduced a marginal reform: it increased the shelf-life of fresh pasteurized milk from 5 to 7 days, while at the same time introducing an additional definition for milk packaged within 24 hours of milking and a shelf-life of two days. Data from the price observatory of the Ministry of Economy suggests that this measure failed to bring down prices as of spring 2015. In August 2015, the government abolished the differentiation of milk based on pasteurisation procedures and the associated shelf life restriction in line with other EU countries. While it is too early to assess the impact of this measure, this example illustrates how sometimes the interests of the few can significantly delay reforms for the potential benefit of the many.

A related product group—milk formulas for infants (0 to 6 months)—was subject to a different type of restriction, namely the prohibition of sales through all retail channels except pharmacies. In 2011, however, the Hellenic Competition Commission (HCC) argued that this prohibition was unjustified as it limited price and distribution competition. The HCC pointed out that baby milk prices in Greece were higher than in other EU countries and such differences did not exist for the freely sold milk formulas for older infants. Since the composition, marketing, and advertising

Figure 10

Product market regulations eased in the last 15 years but remain below EU average



Source: OECD, EU 13 refers to countries with available data in 1998.

of baby milk formulas is already covered by EU legislation, the potential additional benefits of restricting the retail distribution channel on infant health and the promotion of breastfeeding did not outweigh its anticompetitive effects. Following the HCC opinion, the prohibition was lifted in January 2012. Prices were 12 percent lower in supermarkets in May 2012 than in pharmacies in March 2011.

In order to build on the improvements since the onset of the crisis (Figure 10), additional reforms are needed to strengthen competition in Greece.

- There still are several regulatory barriers in many sectors that need to be lifted. This includes, among others, the sectors of beverages and petroleum manufacturing (OECD 2015) and of wholesale trade, construction, e-commerce and manufacturing where assessments will be forthcoming.
- Steps are under way to strengthen the capacity of the Hellenic Competition Commission to advocate reforms in favour of a level-playing field for markets participants. This would also ensure that advocacy efforts do not come at the expense of the enforcement of competition rules.

4 Professions

In the late 2000s, closed professions were another source of large rents and economic inefficiencies. While some regulations on professional services are needed for consumer protection, the restrictions in Greece were among the most stringent among EU and OECD countries. This

curbed competition, kept firm sizes small and held back innovation. Strict regulations also translated into large mark-ups and high prices for professional services, including accountants, architects, customs brokers, dockworkers, engineers, lawyers, notaries, and others. While professional services represented only around 2½ percent of output and 7 percent of employment, they have important spill-over effects across the whole economy, notably, by increasing the transaction costs of firms and lowering the purchasing power of consumers. The Greek research institute IOBE calculated that the deregulation of a number of services in Greece could yield GDP gains of over 10 percent in the long-term (IOBE 2010). Such reforms could also help in burden sharing of the costs of adjustment by reducing rents of well-off vested interests and lowering prices.

The reform of regulated professions proceeded in stages and remains incomplete. The initial step was the adoption of framework legislation in early 2011 to establish the principle of professional freedom. The legislative changes abolished in principle, among others, fixed prices or compulsory minimum fees and the requirement for an administrative license to practice a profession, substituting instead a simple notification accompanied by the necessary supporting credentials.

Despite of these sweeping changes, the impact of the reform was delayed for a number of reasons. Initially, the scope of the law was not specified, so it was unclear to which professions the provisions of the law would apply. The scope of the law was provided subsequently in spring 2013, with the government publishing the list of the 150 professions falling under the provisions of the law in July 2013.

In addition, while the law established a general principle of professional freedom, it did not directly abolish each of the unnecessary restrictions in force. As a result, the legal situation was uncertain until such restrictions were explicitly revoked on the basis of a thorough screening of the existing legislation.

The 2011 law also provided for a 4-month period during which restrictions that are justified on public policy grounds, either by addressing market failures, or pursuing non-economic objectives, could be reinstated by decree. Professional associations responded with requests for derogations, although often with delays. The government submitted these requests to the Hellenic Competition Commission for opinion in order to ensure that the reinstatement of restrictions was limited to public interest cases only, as envisaged by the legislation. Based on the opinion of the Hellenic Competition Commission, the government then revised the relevant regulations. While this process ran its course as foreseen, the timeline proved to be too ambitious. The Hellenic Competition Commission provided opinions on requests of derogation throughout 2012, and by end 2013, some regulations still needed to be adjusted in line with these opinions.

In addition to the general part, the law also had a specific part. This part focused on high economic impact professions, namely notaries, lawyers and law firms, engineers and auditors. In addition, separate laws dealt with pharmacists, technical professions, and trucks and transportation companies. The liberalisation of these professions in the 2011 laws was partial. Additional reforms were needed to open up these professions further, such as through the adoption of the code of lawyers in September 2013.

More reforms followed in 2014, when steps were taken to liberalise other professions and services, including actuaries, chartered valuers, electricians, geo-technicians, one-day clinics, and the sales of plant-protecting material, fertilisers and pesticides. Furthermore, following the opin-

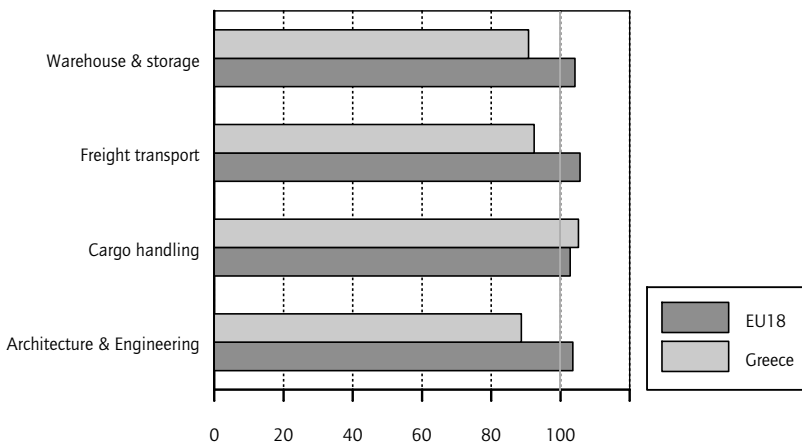
ion of the Hellenic Competition Commission, the government took steps to remove unjustified or disproportionate activities reserved to qualified professionals of engineers, architects, geologists and land surveyors. In summer 2015, the authorities broadened the geographic area in which court bailiffs can be active and clarified the criteria for the determination of court bailiffs' fees. In addition, in order to support the recovery in the housing market, the authorities reduced the fee of notary acts for property transactions up to 120,000 euro from 1 percent to 0.8 percent.

International comparisons confirm the reform progress in recent years. The professional services regulation index of the OECD assesses legal restrictions for four professions. According to this index, the regulations of professional services were significantly loosened between 2008 and 2013, although legal professions remain highly regulated.

Building on work in 2012, the Centre of Planning and Economic Research (KEPE), a research institute of the Ministry of Development, assessed in July 2013 the liberalisation of 20 professions under the 2011 law (KEPE 2013). A key contribution of this report was to apply the OECD methodology in order to measure regulations for these 20 professions. The main finding was that the reforms liberalised professions substantially. The regulation index, which ranges from zero (no restriction) to 12 (maximum restrictions) declined on average from 5.8 before the reform to 2.3 after the reforms. As a result, 74 percent of the restrictions of the 20 professions were abolished. For non-scientific professions, the share went up to 83 percent. However, this assessment focused on changes in primary legislation only and did not assess whether the legal changes were effectively applied in practice and whether the remaining restrictions are justified or proportional for safeguarding public interest.

Figure 11

The producer prices for key business services decreased significantly between 2010 and 2014



Source: Eurostat.

The KEPE report also looked at prices for professional services. The evidence was inconclusive: there was no clear indication that more open professions performed better on price changes; or that the 20 professions performed better than other professions. This could be because the regulation index might not capture well changes in *de facto* liberalisation, and the liberalisation efforts to date remain work in progress. However, comparisons of certain professional services with the euro area suggest price reductions (Figure 11). For example, prices of business services for architecture and engineering, freight transport, as well as warehouse and storage declined noticeably between 2010 and the last quarter of 2014, while prices for cargo handling increased moderately. By contrast, prices in the euro area increased across all four categories over the same period. Clearly, this is only indicative evidence as it is difficult to disentangle the price effects of the opening of professions from changes in the level and composition of demand.

Finally, the Ministry of Finance has compiled monitoring indicators for the liberalisation of some 20 professions, including changes in the number of professionals since 2011 (Table 3). The number increased for most professions, despite the economic crisis, indicating that reforms helped to open access for new professionals, although other factors also could have played a role, such as for energy inspectors (changes in energy regulations for buildings) and tax accountants (move toward electronic transactions).

Table 3

The number of professionals increased in many areas despite the economic downturn

	2011	2012	2013	2014
Lawyers	42,025	41,861	42,022	42,052
Law Firms	81	86	528	558
Pharmacies	10,223	10,412	10,516	10,547
Auditors	983	1,050	1,037	1,040
Audit firms	28	39	42	45
Accountants and tax consultants	66,072	68,212	71,094	74,644
Energy inspectors of buildings	5364,	8,327	9,608	12,625
Energy inspectors of heating systems	3,506	5,740	1,673	2,347
Energy inspectors of air conditioning systems	3,376	5,555	1,286	1,785
Stevedores			1,511	3,610
Travel agents	4,105	4,079	4,328	4,650
Tourist guides	1,904	1,915	1,997	2,119
Private labour consultancy offices	95	91	91	93
Custom brokers	2,256	2,115	2,629	2,686
Real estate agents	5,050	4,986	5,053	4,924
Actuaries	74	77	82	82
Chartered valuers		11	217	335
Geo-technicians (agronomists)	19,597	19,952	20,241	20,768

Note: 2012, 2013 and 2014 refer to the fourth quarter.

Source: Ministry of Finance (2015).

Greece has advanced in the liberalisation of profession as confirmed by the improvement of professional services indicators and the increase in the number of professionals for some key professions. However, the liberalisation was uneven across professions. Further progress will depend on tackling remaining rigidities and monitoring the effectiveness of reforms to identify needs for further adjustments. One example in this regard is the engineering profession. For electricians and mechanical engineers, 2014 legislation in principle opened market access but there are concerns that the law is not leading to changes in actual practice. For civil engineers, architects, geologists and land surveyors, the 2014 law provided for a presidential decree for activities in complex technical projects, which still needs to be issued.

5 Land use

Good governance of land is crucial for property rights, economic activity and social cohesion. This requires a clear record of the current land use and land rights. As the only EU country without a computerised nationwide land registry, an important priority for Greece is the completion of such a land registry by 2020.

While Greece set up a system of land registries in 1853 (Tzinieri 2015), this person-based deeds system does not allow for tracking down property by location. In 1995, the national cadastral project was launched with the objective of creating a digitalised and property-based deeds system that links each property title with detailed legal and technical information, including ownership and location, in order to guarantee property rights and facilitate property transfers. Among the 37 countries that computerized their land registries between 2011 and 2015, the time required to register property fell by almost two-fifths (World Bank 2015).

In 2013, in order to accelerate the completion of the cadastre, the authorities adopted a law clarifying the political and administrative responsibilities for the cadastral project, allowing for the setting up of new operational cadastral offices, reducing the period of appeals, and making available the cadastral data to the Ministry of Finance for taxation purposes.

However, progress in tendering and completing the project remains limited. After four generations of cadastral surveys, the registration of titles and cadastral maps are complete and operational for around one-fourth of the total number of titles, covering about 7 percent of the country.

The mapping of the forest land is completed for over one-fifth of the territory, although only less than 1 percent of the forestry maps are legally certified. The production of forestry maps is crucial in view of Constitutional provisions that lead to a presumption of public ownership of forest land, even in urban fringes where forests have given way to urban settlements with direct or implicit approval of public authorities. By contrast, across the European Union, about three-fifths of forests are in private ownership (European Environmental Agency 2015).

Improvements in three areas are crucial for the success of the cadastral and forestry mapping:

- The Greek agency in charge of the creation and management of the cadastre needs adequate administrative and financial independence to manage efficiently large mapping projects. The company should continue to move toward a project management

culture, with a focus on efficient tender design and procedures in order to save time and money in awarding cadastre projects.

- As the new cadastral and forestry maps are being completed, the current system of close to 400 land registry offices must be transformed into a system of 16 cadastral offices under the Ministry of Environment. The first two modern cadastral offices in Attica and Thessaloniki opened in 2014 and are fully operational.
- In order to support land management and make better use of available information, government agencies have to integrate electronically information on property titles and property transactions with geocoded data on archaeological sites, industrial development, spatial plans, forestry land, coastal zones, protected areas and public property.

The absence of a fully operational cadastre is only one factor in the weaknesses of Greek land administration. Another are ineffective spatial policies, which have given rise to problems such as construction without prior planning in urban fringes, along the coast and on islands; a lack of communal and green space in urban areas; the need for reforestation of degraded forestlands; as well as a fragmented, costly and time-consuming planning system (OECD 2009).

In 2014, the land use framework was improved in three aspects. Spatial planning was rationalized by halving the number of planning levels, more equalized between national, regional and local levels, thus facilitating strategic investment and privatisation, and devolving powers to local levels to modify existing plans in line with economic needs. In addition, forestry legislation streamlined the procedure for characterising a piece of land as forest and simplified investments while aligning safeguards with the environmental licensing law. Finally, legislation defining coastal zones was adopted.

More steps are needed to make these reforms effective. First, implementing legislation on the spatial and forestry laws remains to be adopted. This includes, among others, the guidelines and the procedures of the new spatial plans and the scientific criteria for the definition of forests and forest land in line with Constitutional provisions. Second, legislation to clarify the uses of coastal zones and to tackle the issue of illegally occupied properties remains pending. Finally, administrative capacity has to be strengthened in order to implement land use legislation coherently.

6 Trade facilitation

While trade openness is a hallmark of many countries in the European Union, Greece is a fairly closed economy. EU member states have integrated with their neighbours and other regions in the world through trade in goods and services, thereby supporting economic growth and convergence. However, despite strong reliance on tourism and maritime services, Greece has lagged behind other EU countries in trade integration, which has reduced the benefits of the single market and globalisation. Facilitating exports is important for avoiding the emergence of external imbalances once growth returns and imports start picking up.

Recognising the need to simplify administrative procedures and lower the time and costs for exporters, in October 2012 Greece adopted a national trade facilitation strategy. It foresees a road-

map with 25 actions to streamline pre-customs procedures, set up a national single window for exports and overhaul customs procedures. Three years after the adoption of the strategy, progress is uneven.

There has been some limited improvement of pre-customs procedures and the national single window. Using business process analysis (UNESCAP/UNECE 2012), the authorities have analysed export procedures, including procedural, regulatory and documentary requirements, for seven products (kiwi, feta cheese, olive oil, cosmetics, canned peaches, aluminium frames, and metallic pipes). The results are the basis for simplifications of these requirements. In addition, the authorities have screened national legislation of key export product for the main countries of destination with a view to simplify requirements. For fresh fruits and vegetables, the authorities have enrolled more than 20 exporters in the authorised trader scheme and automated risk-based controls. Regarding the national single window, the authorities have set up an electronic platform for customs and taken initial steps to link this system with the corresponding platform of the Ministry of Agriculture for fresh fruits and vegetables.

Reforms have advanced more with regard to customs. Following the advice of the World Customs Organization, export procedures have been substantially revamped. Key measures include the streamlining of the export clearance process (such as allowing the presentation of goods at other appointed locations than the Customs office and requesting supporting documents only when declarations are selected for controls), the automatic clearance of low risk declarations with a timer functionality, the implementation of an e-payment system and the standardisation of customs fees.

The World Bank's Doing Business ranking confirms the improvement in trade facilitation. Greece reduced the gap to the best performance from 23 percent in 2011 to only 6 percent in 2015 in trading across borders. Out of 189 countries, Greece ranks 27th in 2015 on trading across borders, the best performance for Greece among the 10 topics measured by the Doing Business ranking. Indicators of the Greek customs validate the progress. Export clearance steps were cut from about 9 to 11 to 2 to 3. And while almost all export declarations were controlled before the reforms, during the first half of 2015, only one in twenty declarations were controlled using a risk based approach.

Despite these achievements, more progress is needed in key areas:

- The business process analysis and the screening of national legislation for key commodities and destination countries must be translated into actual simplifications in line with good EU practices. These advances would also help toward setting-up a national single window through the creation of an integrated electronic platform of customs and relevant government agencies that would enable traders to interact paperless through a single window with authorities, and thereby avoid unnecessary delays and costs in cross-border movement of goods and services.
- Much of the reform effort in Greece focused on exports. Similar improvements are ongoing for imports, including an electronic clearance process and risk-based controls. For example, while virtually all import declarations were controlled in early 2014, by mid-2015 only one in three declarations were controlled on an at risk-basis.

- The full implementation of an electronic platform, the streamlining of customs procedures, a renewed emphasis on anti-smuggling, and a commitment to reinforce independence requires a reorganisation of the customs administration. Based on a strategy adopted in late 2014, the customs administration is, among others, in the process of strengthening the role of regional offices in supervising and controlling frontline customs offices, redesigning the workflow for customs procedures, aligning skills and job profiles, and building up *ex post* audit capacities.
- The facilitation of trade needs to go hand in hand with the promotion of exports and attraction of foreign direct investment. A first step was the 2014 creation of Enterprise Greece with the dual mandate of both export and investment promotion.

7 Conclusion

Faced with a deep structural economic crisis, Greece has launched a wide set of reforms to attract investment and generate exports, often facing stark resistance from vested interests. Some reforms are yielding results: selected investment and environmental licensing procedures have been streamlined, barriers to competition have been removed, for example in the retail sector, access to and exercise of various professions has become easier, the cadastral agency has strengthened its capacity, land use legislation has been modernised, and customs procedures have been rationalised. These are only some of the achievements. Their full economic benefit will only become visible once the economic recovery is solidly under way.

However, the accomplishments are matched by the remaining challenges. While international comparisons suggest that Greece has improved its business environment markedly since the crisis, it remains behind EU averages. Many reforms are only partially implemented and with delays. Much remains to be done in all five areas discussed in the paper. This includes, among others, the reform of investment licensing, the removal of barriers to competition in the wholesale and construction sectors, the opening of the engineering profession, the completion of the cadastral and forestry mapping, and the setting-up of a national single windows for exports. This is likely to require a sustained effort for years to come.

Progress is needed across these domains to eliminate bottlenecks. For example, investment is held back not just by complicated licensing procedures but also by a fragmented spatial planning system. Exports rely not only on efficient customs procedures but also on a friendly business environment for traders to expand production. And in view of the predominance of micro enterprises in Greece, a fast track approach for large companies is not enough. Restrictions must also be lifted for small businesses.

Furthermore, beyond the five areas presented in the paper, other factors are critical for a sustainable economic recovery. This includes a stable financial sector, a broad-based and equitable tax system, an efficient judicial system, a well-run public administration and an adequately regulated energy sector.

Five ingredients are critical for these reforms to succeed. As the remaining challenges remain large, the approach has to be comprehensive. This also helps to limit concessions to vested inter-

est groups (Mitsopoulos and Pelagidis 2009). After more than five years of difficult adjustments, persistence in the reform effort tailored to country circumstances is needed to see through the required changes. Central coordination of the reform agenda is crucial as most reforms require multiple ministries or agencies to act. Implementation support is essential. Legislative changes need to translate into the administrative and operational changes on the ground that will help investors and exporters, whether small or large, to prosper. Finally, monitoring and evaluation is important to continuously improve the design and implementation of such reforms.

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