TOWARDS A RENEWED STRATEGY FOR REGIONAL POLICY IN GREECE
OECD Territorial Review of Greece 2020

Policy Note: Preliminary findings
# Table of contents

About the OECD Territorial Reviews: Greece 2020 ................................................................. 3

**Executive summary** ................................................................................................................. 4

Key findings ................................................................................................................................. 4

**Towards a renewed strategy for regional policy in Greece** ....................................................... 7

Economic recovery is gaining momentum, but gains are uneven .............................................. 7

EU structural funds have helped to soften the impacts of the economic crisis and have encouraged recovery ....................................................................................................................... 7

While no region has caught up to pre-crisis productivity levels, some regions are coming close .... 8

Greece’s unique geography creates challenges for accessibility and service provision .......... 11

Urban dwellers have sought out opportunities abroad, heightening the pattern of population ageing ................................................................................................................................................. 14

Job creation is a top concern across all regions ............................................................................. 16

Key growth opportunities for the future .......................................................................................... 22

From reforms to implementation: Making place-based policies work .............................................. 23

Regional policy for Greece post 2020 ............................................................................................... 29

**References** ........................................................................................................................................ 32

---

### Tables

Table 1. Regional specialisation in industries, Greece, 2016 ............................................................. 21

### Figures

Figure 1. Productivity level and growth of frontier and lagging regions, Greece .............................. 9

Figure 2. Contribution to Greek national labour productivity growth, 2007-2016 ............................ 10

Figure 3. Employment and productivity growth in Attica ............................................................... 11

Figure 4. Distribution of population by OECD regional typology (TL3), Greece 2017 ...................... 12

Figure 5. Population in rural and remote rural areas, OECD, 2017 .................................................. 12

Figure 6. Share of population by accessibility to a large town or city, OECD 2016 .......................... 14

Figure 7. Greek working-age population change by regional typology, 2001-2017 .......................... 15

Figure 8. Well-being in Greek regions ............................................................................................ 17

Figure 9. Employment change by region, 2007-2016, Greece ......................................................... 18

Figure 10. Regional employment growth and contribution to national employment growth, 2011-2016, Greece ...................................................................................................................... 18

Figure 11. Greek regions have among the highest unemployment rates in OECD ............................ 20

Figure 12. Subnational expenditure, investment, tax revenue and debt in OECD unitary countries, 2016 ........................................................................................................................................... 25

Figure 13. National and subnational public investment in Greece 2000-2017 .................................... 26
About the OECD Territorial Reviews: Greece 2020

The Ministry of Economy and Development of Greece and the Structural Reform Support Service of the European Commission have commissioned the OECD to develop a Territorial Review of Greece on “Regional policy for Greece post 2020”. The review is undertaken by the OECD’s Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) under the auspices of the OECD Regional Development Policy Committee (RDPC).

The Territorial Review of Greece will examine how Greece can boost productivity, promote sustainable and inclusive growth and deliver well-being across the country. It focusses on four key aspects: i) diagnosing socio-economic trends and identifying growth potential and underexploited resources; ii) assessing policies and strategies for development and inclusive growth; iii) reviewing multi-level governance for regional and cohesion policy; and iv) capacity for policy programming and implementation.

In March 2019, the OECD Secretariat has drafted a policy note to outline the preliminary findings and some of the central challenges for regional policy in Greece post 2020. This policy note takes stock of the first five months of implementation of the Territorial Review of Greece including two study missions by OECD teams. The Executive Summary hereafter provides a summary of the note. The OECD final report will be delivered early 2020.

OECD Territorial Reviews have been created in 2001 to support regional development at the multi-country, country, regional and metropolitan scales. OECD Territorial Review examine a range of policies that have the potential to propel economic growth in regions and improve the quality of life for their residents. Policies for economic growth, social capital and environmental sustainability are more effective when they recognise the different economic and social realities where people live and work.

*Cover Illustration by Gabriella Agner.*
Executive summary

This policy note “Towards a renewed strategy for regional policy in Greece” takes stock of the first five months of implementation of the Territorial Review of Greece and two study missions by OECD teams, and outlines some preliminary findings. The OECD final report will be delivered early 2020.

Key findings

The economic recovery is gaining momentum, but gains are still uneven

Full recovery is in reach, but it will take time to materialise. Employment at the end of 2017 remained 14% below its 2008 peak. Greece’s relative poverty rate is the fourth highest in the OECD (at 15.3% in 2018). New jobs are being created, but many are part-time or temporary and pay the minimum wage. Consequently, the share of working poor is rising.

Although reforms have been extensive and recovery is gaining momentum, economic and social disparities between regions persist. It is in this context that place-based policies can deliver targeted investments fit to local conditions and help a broad-based recovery of the economy.

EU Structural and Investments Funds (ESIF) have helped to soften the impacts of the economic crisis and liquidity restrictions and have encouraged recovery

OECD analysis indicates that without the EU structural and investment funds (ESIF) the crisis would have been deeper and the ongoing recovery slower. Two different economic analysis show that between 2009 and 2017 each euro of EU funds generated an extra 80 cents of GDP, implying a multiplier of 1.8. In this context, ESIF are key to support public investment and GDP growth.

No Greek region has yet recovered from the pre-crisis labour productivity level

Greek regions lost on average a third of their GDP per capita on average since the crisis. The greatest declines in productivity occurred, for example in the remote islands, but also in Western Greece and in Attica. Each region suffered from different types of vulnerabilities: remoteness, low productivity agriculture (Western Greece), and in Attica, the capital metropolitan region, despite a more diversified economy the adjustment was also severe.

Attica is very important for the Greek economy. Before the crisis, the productivity growth in the country was almost uniquely generated in that region. In that, Greece had a very regionally concentrated productivity growth model, like France or the UK and contrary to the one of Germany or Austria. However, between 2008 and 2015, the county experienced high percentages of job loss. Many non-tradable sectors (e.g. constructions, transports, business services, public administration) also suffered very strong employment...
losses. Attica’s economic decline was so sharp that “lagging” regions are now converging to Attica’s current productivity levels - which are below its potential. This is the “wrong kind” of convergence.

**Greece’s unique geography creates challenges for accessibility and service provision**

OECD research has shown that proximity to cities is a very important driver of growth and productivity ‘catching-up’ of the lagging regions. In Greece, the two largest metropolitan areas—Thessaloniki and Athens—together account for 43% of the total population and over half of the total economic output (53% of national GDP).

However, around a third (32%) of Greece’s population lives in rural areas and of this, the vast majority (89%) of the rural population live in remote regions, such as small islands. Across the OECD, such a high share of population in remote areas is only comparable in sparsely populated countries, such as Norway, Iceland, or Finland. As a result, around 25% of Greece’s population cannot reach a town with at least 50 000 inhabitants within an hour travel time (by any mode).

**Greece’s cities have lost population, sharpening population ageing and creating additional needs on social infrastructure**

Exacerbating the costs of distance, Greece’s population is shrinking and ageing. This trend is common to many OECD countries, but in Greece, even the large cities have lost population. Almost 90% of the population losses over the past decade are actually located in Athens and Thessaloniki. The declines in the working-age population are even larger.

Rural regions have the highest elderly dependency ratios, but this rate is quickly growing also in urban regions.

**Job creation is a top concern for all regions**

From 2011-16, all regions in Greece experienced a net loss of jobs. Nowadays, Greek regions have the highest rates of unemployment among all European regions. Youth unemployment has declined since its peak in 2012, but it remains almost three times higher than EU 28 average in roughly half of Greek regions.

In the path for recovery, the large cities and the regions with a strong touristic base have seen some positive trends of employment, but those regions reliant on primary industries and manufacturing have experienced tough labour adjustments. Overall, labour market participation rate, average working hours and hourly compensation are showing signs of improvement, but these gains are uneven across regions.

The concentration of economic activities in Athens and the vulnerability of the economy to structural adjustment demonstrates the importance of promoting growth in all regions.

**What are the growth opportunities for the future?**

Greece should modernise its low productivity industries and sectors towards more dynamic and innovative ones that have higher value-added and that can compete in international markets. Greece has clear advantages such as quality institutions of higher education and a skilled labour force. Regions with developed research and technology capabilities such as Attica and Central Macedonia, have a potential to diversify towards knowledge-intensive manufacturing and services should be further sustained. These could
take advantage of the new global trends in distributed manufacturing and distance services. New and more targeted investments should be also needed to help regions participating in global value chains and to support projects that will link regionally dynamic sectors such as the tourism and food industries and the transport sector, agriculture and the cultural industries.

Regional productivity and competitiveness could be improved by focussing on areas of competitive advantage like tourism (e.g. developing new or niche areas such as agro-tourism, business, cultural, eco-tourism). A strong advantage for the development of tourism is the high-level of certain well-being dimensions. Greece’s regions are top-scokers in the OECD for health and safety.

Other opportunities concern manufacturing & logistics and food production (e.g. shifting to branded olive oil, wine, and diary fruits and vegetables sales). The competitiveness of these sectors can be enhanced by better cooperation on R&D with universities and research institutes and critically, high quality agricultural advisory services. Greece is less export-oriented than other economies of a similar size so there is a potential to boost export capacities and tradable sectors.

**How to make place-based policies work?**

Economic and social reforms have been extensive, but, given the diversity of situations, they need to be complemented by place-based policies that target or are adapted local conditions.

Greece exited the ‘bailout’ conditions in August 2018 and has recently prepared its own “National Growth Strategy” aiming to stimulate investments, improve entrepreneurial and business ecosystems, build resilient labour markets and address environmental challenges. The strategy also aims to tack pressing social challenges such as reducing inequalities and improving the inclusiveness and quality of jobs and education.

EU co-financed projects have been the largest part of public investment expenditures in Greek regions and will remain critically important in the coming years. Regional governments also need to further develop their own regional development strategies and ensure they are coordinated with national priorities to spur local development, together with private investments and Foreign Direct Investment (FDI).

OECD’s fieldwork have illustrated the importance of regional development strategies where sectoral policies (support for private investment, infrastructure and human capital policies) meet and interact in each place, generating multiplier effects.

To do so, many OECD countries have strengthened their multilevel governance system or moved towards asymmetric decentralisation in recent years. This trend is likely to continue and can help to adapt governance to differences in regional, metropolitan and local conditions and capacities. While Greece has put new structures in place to deliver on this (i.e., administrative and regulatory reforms), an important challenge remains on how to further consolidate the role of the recently created regions in regional development and investment policies. This is one of the main challenges for the future.
Towards a renewed strategy for regional policy in Greece

Economic recovery is gaining momentum, but gains are uneven

The economic crisis hit all facets of Greece’s economy and society. Promisingly, in recent years there are a number of signals that recovery is on track. GDP growth is predicted to be 2.3% in 2019 and was positive over the previous two years (at 2.0% in 2018 and 1.3% in 2017) (OECD, 2018[1]). The employment rate grew by 1.3% in 2018. The unemployment rate has fallen by 6.9 percentage points from its peak in 2013, to 20.9% in 2017. Labour market participation is expanding—particularly for women—and more workers are obtaining employee positions as opposed to self-employment.

Full recovery is in reach, but will take time to materialise. The employment rate at the end of 2017 remained 14% below its 2008 peak. Greece’s relative poverty rate is the fourth highest in the OECD (at 15.3% in 2018) and it has the second highest rate of severe material deprivation (22.4%) (OECD, 2018[1]). Families with children are especially at risk. While wages have stabilised, they remain below 2008 levels. New jobs are being created, but many are part-time or temporary and pay the minimum wage. Consequently, the share of working poor is rising. While unemployment is decreasing, the share of long-term unemployed has increased, especially for those with less education.

Greece has adopted ambitious reforms across a wide range of policy areas in order to address persistent structural challenges. Meanwhile, successive decentralisation reforms have strengthened the role of regions in delivering public investments in such areas as transportation and renewable energy. Although reforms have been extensive and recovery is gaining momentum, economic and social disparities between regions persist. It is in this context that place-based policies can deliver targeted investments fit to local conditions and help a broad-based recovery of the economy.

EU structural funds have helped to soften the impacts of the economic crisis and have encouraged recovery

Since the early 1980s, the European Union Structural Funds (now called European Structural and Investment Funds – ESIF) have provided financing aid to EU member states with the aim of promoting convergence across Europe’s regions. ESIF finance several economic and social areas including public infrastructure and human capital, social policy and public administration. Greece has been a major beneficiary of these funds. Total Capital inflows from the ESIF totalled EUR 66 billion between 2000 and 2017 (or about 30% of GDP in 2018) which, in terms of financing per capita, was the highest amount in the EU (Liargovas et al., 2016[2]). These funds, mainly from the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund, helped to fund thousands of projects in almost every sector of the economy, ranging from transport infrastructure and agriculture to public administration, social and education policies.
During the crisis, ESIF funds played a crucial role in supporting public investment and the Greek economy. In the wake of the crisis, private investment collapsed because of the precipitous fall in internal and external demand and the emergence of severe financing constraints and a lack of liquidity. While internal and external demand has recovered over the past few years and the Greek economy has started to grow again, financing constraints, though easing, are still present and are one of the main reasons that private investment recovery has been uncertain. Currently, private investment remains well below the 2004-2007 average.

Preliminary analysis undertaken for this Review indicates that, without ESIF, the crisis would have been deeper and the ongoing recovery slower. The results from two different models shows that between 2009 and 2017, each euro of EU funds generated an extra 80 cents of GDP, implying a multiplier of 1.8. In this context, the EU funds have been key to supporting public investment and GDP growth. Another study estimates that EU Structural Funds boosted Greece’s GDP by 2.2% over the previous programming period (2007-2013) and by as much as 6% in the one before that (1999-2006) (Monfort et al., 2017).

While no region has caught up to pre-crisis productivity levels, some regions are coming close

**Greek regions lost a third of their GDP per capita on average since the crisis**

Between 2007-2016, Greek regions lost between a quarter of their GDP per capita in the case of Western Macedonia, to much as 40% of their GDP per capita in the regions of the Northern Aegean and the Ionian Islands.

The regions that experienced the sharpest growth declines during the crisis tend to also have the fastest catching-up dynamics. For example, GDP per capita fell by the average yearly growth rate of 6.2% over 2007-2013 in the Ionian Islands, but since then has increased by 1.6% (which is similar to the growth rate in Crete and Central Macedonia). Western Macedonia and the North Aegean demonstrate different dynamics; GDP per capita there fell by the average yearly growth rate of 2.5% and 4.9% respectively between 2007-2013 and the regions continue to diverge even further (by 1-2% between 2014-2016).

If regional growth rates remained at 2014 levels (the first year of economic recovery since the crisis), five Greek regions would only recover to their pre-crisis GDP per capital levels by 2027. The majority of the other regions would reach this level by 2039. However, for three regions (Eastern Macedonia, Central Macedonia and Central Greece), recovery would be beyond even 2039. This is why it is important to develop differentiated strategies to spur growth. Even in an uneven manner, all Greek regions can and should contribute to the recovery of the country as a whole.

Regional inequalities continued to increase during the recession years, although at a slower pace, maintaining a process of divergence that was initiated in the early 2000 (Petrakos and Psychar, 2016).
‘Lagging’ regions are catching up to the ‘frontier’ region of Attica—which is below its potential

Greece is one among 14 OECD countries that follows a regionally concentrated productivity growth model. In such cases, regions at the ‘productivity frontier’ contributed more than 50% to the overall productivity growth in their country between 2000 and 2016 (OECD, 2019[5]).

In Greece, Attica is the ‘frontier’ region. It is home to the capital city and is the largest metropolitan area in Greece with over a third of the national population. In Greece, lagging regions have converged with the productivity frontier since 2008. However, this is because of Attica’s falling growth rather than the robust growth of lagging regions (Figure 1). Lagging regions across the OECD tend to have a catching up potential; this has not been adequately realised in Greece, both in terms of employment and productivity. In Greece’s case, it is notable that the ‘frontier’ region of Attica is not realising its growth potential (e.g., loosing population).

Productivity fell across all Greek regions between 2007 and 2016. The greatest declines in productivity over this period were in the remote islands, but also Attica and Western Greece. These three regions have very different economies. The remote islands regions (South Aegean and Ionian islands) are dominated by tourism, Western Greece is dominated by agriculture, while Attica has a more diversified economy. Each type of economy was open to different types of vulnerabilities throughout the crisis.

Figure 1. Productivity level and growth of frontier and lagging regions, Greece

Note: Attica is the frontier region in Greece during the period 2000-2015. The remaining Greek regions are classed as ‘lagging regions’ as they fall behind the frontier. Source: OECD (2019[9]), OECD.Stat, (database), (accessed on 28 January 2019). Greek regions lost a third of their GDP per capita on average since the crisis.

Regions in Greece reversed their growth trajectory with respect to the best performing (frontier) region of Attica

Between 2000 and 2007, Attica was leading in employment, GVA, and consequently productivity growth contributions. The Attica region generated 44% of the national labour productivity growth (Figure 2). This reversed during the crisis period when Attica was the major contributor to negative employment, GVA, and productivity shifts. All
regions but the South Aegean had a negative contribution to employment growth, and all regions contributed negatively to GVA growth (2000-2007). However, in terms of labour productivity, regions that lost comparatively more employment than GVA contributed positively to labour productivity growth. Central Macedonia had the largest contribution to national labour productivity growth between 2008 and 2016.

Although Attica has suffered during the crisis both in terms of job loss and population, it remained at the productivity frontier in Greece over past two decades. Between 2000 and 2007, no lagging region was in process of catching up with the productivity frontier. Most of the regions were keeping the same productivity gap with the frontier, and Epirus, South Aegean, Thessaly, and Central Greece were diverging further away from the frontier’s productivity. Western Macedonia started catching-up with the productivity frontier between 2008 and 2016. The island regions of South Aegean, North Aegean, and Ionian Islands regions kept diverging in productivity terms from 2008 to 2016. Other regions are keeping up with Attica’s productivity changes.

**Figure 2. Contribution to Greek national labour productivity growth, 2007-2016**

![Figure 2](image)

*Note:* Difference between national labour productivity growth as calculated with and without the indicated region. Attica, in black, is the frontier region in Greece. The bars highlighted in darker blue represent regions with the productivity converging with the levels at productivity frontier, Attica. The light blue denotes regions that are keeping pace with the most productive region. Finally, the striped pattern highlights regions that are diverging from the productivity frontier.


Across the OECD, regions with the largest non-tradable sectors suffered the strongest employment losses between 2008-2015. The region of Attica confirms this trend. Non-tradable services expanded by 178,000 jobs in the period leading up to the crisis, and these sectors also suffered the biggest declines between 2008 and 2015, with 257,000 jobs lost (Figure 3). In the Attica region, productivity growth was sustained by manufacturing and agriculture despite their small share of employment, while services are increasingly less productive. However, manufacturing displays the highest employment losses, with 6% less jobs in 2015 than in 2008. Greece’s manufacturing sector was vulnerable during the crisis on several fronts; mainly credit crunch conditions and decrease of internal demand.
Figure 3. Employment and productivity growth in Attica
Contribution of sectors between 2000-2007 (left) and 2008-2015 (right).

Note: Labour productivity is measured as real gross value added in USD in constant 2010 prices and PPPs per worker. The size of the bubble indicates the size of the sector in terms of number of employees in 2000, while the numbers at each bubble indicate the change of employment during the period. The sector clusters are composed of multiple individual sectors; Tradable services refer to sectors Information and communication (J), Financial and insurance activities (K), and other services (RSTU). Non-tradable services are constructed as a sum of activity in sectors Construction, distributive trade, repairs, transport, accommodation, food services activities (GHI), Business services (MN), and public administration (OPQ). Real estate activities sector (L) can be considered as non-tradable service, but is excluded in this figure.


Greece’s unique geography creates challenges for accessibility and service provision

Greece has over 13 000 kilometres of coastline and around 6 000 islands—around 230 of which are inhabited. The mountainous, peninsular mainland juts out into the Mediterranean Sea and two smaller peninsulas (the Chalkidiki and the Peloponnese which is joined to the mainland by the Isthmus of Corinth). Greek territory is divided into 13 large regions, corresponding to OECD territorial level 2 (TL2) typology, and 52 regional units and combination of regional units, which correspond to territorial level 3 (TL3).

These geographic features give rise to very different social, environmental and economic contexts, which are reflected in the 13 regions. For example, Greece’s two biggest metropolitan areas—Thessaloniki and Athens—together are home to 43% of the total population and produce over half of the total economic output (53% of national GDP) (OECD, 2018[7]). Growing traffic congestion, ageing infrastructure, poor air quality and declining neighbourhoods reduce quality of life in these cities and harm the business climate. The challenges facing Greece’s many islands are of a different nature. The limited connectivity of Greece’s many small islands (e.g., islands in the Ionian, Northern and Southern Aegean regions) makes it hard to provide services and growing concerns about ‘over tourism’ are placing infrastructure and the environment under growing stress (e.g., rising water and energy consumption).
Around a third (32%) of Greece’s population lives in rural areas and of this, the vast majority (89%) of the rural population live in remote regions (Figure 4). Across the OECD, this is comparable to such countries as Norway, Iceland, or Finland (Figure 5).

**Figure 4. Distribution of population by OECD regional typology (TL3), Greece 2017**

![Distribution of population by OECD regional typology](image)

*Note:* The country’s distribution of population among regions is listed next to the region’s name. The bars indicate the percentage of population living in TL3 regions classified into four types of regions according to the OECD regional typology.


**Figure 5. Population in rural and remote rural areas, OECD, 2017**

![Population in rural and remote rural areas](image)

Average time to reach a city in Greece is significant—with great variability between regions

OECD research has shown that proximity to cities is a very important driver of growth and productivity ‘catching-up’. Despite being a small country, Greece’s islands and mountainous areas make accessibility to cities challenging. A quarter of Greece’s population cannot reach a town with at least 50,000 inhabitants within an hour travel time (by any mode) (Figure 6). The average accessibility of the population in Greece is only slightly lagging behind Nordic countries—which are much larger and have lower population densities.

The variation of accessibility in Greece is also large: it takes over 6 hours to reach the nearest town/city from the islands in the South Aegean region. There are only a handful of islands within Europe that are more remote in terms of accessibility than these.5

Accessibility to towns and cities matters for a number of reasons. Larger agglomerations have more dynamic and diversified economies and a greater range of public and private services available, including specialists services that are unlikely to exist in smaller communities (e.g., health care specialists, and post-secondary education institutions). In contrast, regions with more limited accessibility—like Greece’s many islands—face higher transportation costs and seasonal transport variability. It is challenging to provide public services in these contexts. Moreover, many islands are poorly connected to core energy infrastructure and obtain their electricity primarily from inefficient, expensive and polluting diesel generators (Roinioti and Koroneos, 2019[8]).
Urban dwellers have sought out opportunities abroad, heightening the pattern of population ageing

**Greek cities have lost population**

Greece’s population is shrinking and ageing—a megatrend that is common across much of the OECD. A combination of out-migration, low fertility rates and population ageing have led to a 2.5% reduction in the size of the population since 2007 and it is estimated that by 2050, a third of the population will be 65 years of age or older (OECD, 2017[9]). The performance of cities is key for national productivity and in Greece, they have suffered employment and population losses.

Greece’s population change displays some unique characteristics. Over the past decade, predominantly urban regions have seen the sharpest population declines, by 4.4 percentage points, followed by predominantly rural regions at 1.7 percentage points (2007-2017). The decline in the working-age population is even larger. The predominantly urban regions lost 10% of their working age-population over the last decade (Figure 7). Meanwhile in intermediate regions, the population has remained relatively constant. This stands in contrast to trends across the OECD where predominantly rural regions displayed the greatest population declines and the urban population grew by 7% between 2007 and 2016.
The vast majority (88%) of Greece’s population loss over the past decade came from the two largest cities—Athens and Thessaloniki—and this was likely driven by skilled emigration and interregional migration. While the population of elderly persons increased by about 20%, the working age population shrank by 5.5% between 2007 and 2016, which is equivalent to about 411 000 working age individuals in Greece. As the Greek economy recovers, those who have left to seek new opportunities abroad may wish to return to their country—but this will likely be shaped by Greece’s success in shifting towards more knowledge and technology intensive sectors. (Labrianidis and Vogiatzis, 2013[10]).

**Figure 7. Greek working-age population change by regional typology, 2001-2017**

![Population Change Chart](image)

*Note* The population is normalized to 1 in 2007.

**While rural regions have the highest elderly dependency ratios, this rate is quickly growing in urban regions as well**

Greece had the third highest elderly dependency ratio in the OECD in 2015 (OECD, 2017[9]). Some regions experience much more rapid population ageing than others. Rural regions have the highest elderly dependency ratios; there are 2.5 working-age inhabitants for each elderly person (2016). Intermediate and urban areas display similarly high elderly dependency ratios as compared to other countries, with about 3.0 working-age inhabitants for each elderly person. In the rural remote Epirus region, there are just 2.3 working-age inhabitants for each elderly person.

The elderly dependency ratio in urban regions has grown by almost double that of predominately rural and intermediate regions over the past decade. It grew by 7 percentage points between 2006-2016 in urban regions; by 4 percentage points in intermediate regions and by 3% in predominately rural ones.

Such large increases in the elderly dependency ratio for urban areas are uncommon. For example, among the fastest-ageing countries in the OECD, Japan, Netherlands and
Finland experience similar trends of rising elderly dependency ratio across all types of regions, but still more in rural and intermediate regions than in urban areas. The elderly dependency ratio raising only in urban areas over past decade is even more uncommon. Across the OECD, these trends are also seen in Portugal, Poland, and Czech Republic, rising from about 1 elderly to 5 working people, to 1 elderly to 4 working-age individuals. For Greece, ageing patterns—especially in urban areas—are reinforced by emigration. Recent population projections by the Hellenic Statistical Authority to 2080 for the population and the working-age population in Greece indicate that both are projected to decline faster and for longer than was previously anticipated.6

Different strategies are needed to manage demographic change in different types of areas. For cities, it is important that transport and infrastructure are designed in a way that help elder residents to age successfully in place while maintaining accessibility to social, recreational and support services. In rural and remote areas, the challenge is to find ways to maintain accessibility to services in a cost effective manner which meets rural resident’s needs in the face of labour market shortages and higher service provision costs (e.g., higher rates of health care consumption, particularly in the last few years of one’s life). New models of flexible service delivery including e-services, mobile services and shared services will be of growing importance in these contexts.

**Job creation is a top concern across all regions**

**Greece’s regions are top-scorers in the OECD for the well-being indicators of health and safety, but are among the lowest when it comes to jobs and life satisfaction**

The OECD’s Regional Well Being indicators offer a comparative assessment across 11 dimensions of well-being for 30 countries. Since 2007, all Greek regions have seen positive improvements in the indicators for education and accessibility to services. Greek regions also had top scores for safety in 2017, with five regions having the highest possible score and the others following not far behind (Figure 8). They also fair relatively well in the indicators for health among OECD regions. However, in a range of other indicators, from jobs, to life satisfaction and the environment Greek regions rank among the bottom 20% in the OECD.
Figure 8. Well-being in Greek regions

Note: OECD 34 weighted average.

Regions reliant on primary industries and manufacturing have the poorest labour market outcomes

The number of wage-earners increased significantly in 2018, with a net increase between hirings and firings totalling roughly 14 000. Qualitative aspects of job creation, such as the labour market participation rate, average working hours and hourly compensation, are showing signs of improvement. While these are positive signs, gains have been uneven across regions.

Larger cities and tourism-dominated regions have seen the most positive labour market outcomes, while those that are reliant on primary industries and manufacturing have experienced the poorest. The regions of the North Aegean, Crete, Peloponnese, Attica, Ionian Islands, South Aegean all had employment rates above the national average in 2016 (between 52-57% respectively)(Figure 9). Meanwhile, those that are reliant on primary sector and manufacturing had among the lowest (i.e., Western Macedonia, Western Greece, Thessaly and Central Greece with an employment rate of around 47-50% in 2016). Primary and manufacturing industries are open to global competition and have also been impacted by declining domestic demand. These industries have gone through a hard time in the past decade, while tourism has been an economic mainstay. Regions with a dominant tourism industry like the South Aegean and Ionian Islands regions were the only ones to maintain about the same levels of disposable household income as in 2007.

Between 2011-2016, the employment rate remained constant in only two regions: North Aegean (0.5) and South Aegean (0.6) islands (Figure 10). Over the period 2011-16, all regions in Greece experienced a net loss of jobs. However, the region of Attica alone accounted for almost half of net job loss in Greece. The concentration of economic activity in Athens and the vulnerability of the economy to structural adjustment demonstrates the importance of promoting growth in all regions.
Figure 9. Employment change by region, 2007-2016, Greece

Note: The dashed line shows the average employment change in Greece.

Figure 10. Regional employment growth and contribution to national employment growth, 2011-2016, Greece

A. Employment rate growth (ppts), TL2 regions, 2011-2016

B. Contribution to national job creation by TL2 regions, 2011-2016

Note: The growth of the employment rate is calculated as the difference between the rate in 2016 and the rate in 2011. Job creation is calculated as the difference between employment in 2016 and employment in 2011.
Panel B shows the share of each region in the aggregate variation of jobs; the share of a region registering a net loss (gain) is calculated with respect of the sum of regions experiencing a net loss (gain) of jobs.


**Youth unemployment and long-term unemployment are greatest in the primary and manufacturing reliant regions**

In contrast to pre-crisis levels, Greece’s regions have the highest rates of unemployment among all European regions; at least double that of the EU average in all regions (2016). Western Macedonia has highest unemployment rate compared to other TL2 European regions and it remains more than double the 2006 rate.

Unemployment grew in all Greek regions over 2006-2016, but not by the same margins. In the Ionian Islands, the unemployment rate was high to start with (at 11.2% in 2006), but had risen by less than 5 percentage points in 2016 (to 16%) (Figure 11). In contrast, regions such as Western Greece, Western Macedonia, and Thessaly experienced a 17-20 percentage point rise in unemployment rate.

Youth unemployment is almost three times higher than EU 28 average in six out of 13 Greek regions. Regions with high levels of tourism have the lowest youth unemployment rates (North Aegean, South Aegean and the Ionian Islands); and yet these are still around double the EU average. Rates of long-term unemployment display similar dynamics. Long-term unemployment has been lowest in the tourism-dominated economies of South Aegean, Ionian Islands, North Aegean and Crete and highest in Central Greece, Western Macedonia and Western Greece.
Figure 11. Greek regions have among the highest unemployment rates in OECD

Unemployment in TL2 regions in OECD, 2006 and 2016

Note: All TL2 regions in OECD for which the unemployment number is available are displayed. In 2016, there were 300 regions; while 2006, the data are available for 391 regions.

Services-based industries dominate in most Greek regions—Western Macedonia and central Greece are exceptions

Greece’s regional economies are concentrated in two main sectors: i) distributive trade services, transport accommodation, and food and beverage serving services and ii) administrative and support services. The first of these is important in all regions, but comprises over 50% of regional GVA in the South Aegean and Ionian Islands. Meanwhile administrative and support services comprise as much as 42% of regional GVA in the Northern Aegean (2016). While this sector includes public administration (e.g., public servants, teachers), it has not been a source of employment growth. The annual growth rate of public sector employment in Greece has been negative or neutral over the past several years following structural adjustment programme conditionalities.10

Among Greek regions, Western Macedonia stands out for its regional specialisations in mining and energy production—over six times the national average GVA (Table 1).11

Also notable among Greek regions is the sizable role of the manufacturing sector in Central Greece—at almost three times the national average GVA. The agriculture, forestry and fishing sector comprises around 12% of Greek employment but is only around 4% total GVA (2016). The agricultural sector is dominated by small landholdings (average farm size is 4.7 hectares) and is characterised by low capital investments. While many other OECD countries have gone through agricultural modernisation and rural economic diversification, this is still an ongoing process in Greece.
While the services sector is important for all Greek regions, regional economies in Greece can be divided into four main types:

- Metropolitan regions with developed research and technology capabilities and a potential to diversify towards knowledge-intensive manufacturing and services (Attica, Central Macedonia).
- Regions with a tradition in manufacturing, gathering traditional industry sectors with a low level of innovation capabilities (East Macedonia-Thrace, West Macedonia, Central Greece).
- Regions with a tradition in agriculture, agricultural activities, livestock and aquaculture, food processing and potential for innovation in the agro-food industry (Epirus, Thessaly, Peloponnese, Western Greece).
- Insular regions with a good potential in quality tourism and specialised agricultural products (Crete, South Aegean, North Aegean, Ionian Islands) (Komninos et al., 2014[12]).

Table 1. Regional specialisation in industries, Greece, 2016

<table>
<thead>
<tr>
<th>Regional share of Gross Value Added of an industry as a multiple of the national average</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Industry</th>
<th>Attica</th>
<th>North Aegean</th>
<th>South Aegean</th>
<th>Crete</th>
<th>Eastern Macedonia</th>
<th>Central Macedonia</th>
<th>Western Macedonia</th>
<th>Epirus</th>
<th>Thessaly</th>
<th>Ionian Islands</th>
<th>Western Greece</th>
<th>Central Greece</th>
<th>Peloponnese</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and fishing</td>
<td>0.06</td>
<td>0.83</td>
<td>0.37</td>
<td>1.10</td>
<td>1.06</td>
<td>0.87</td>
<td>0.88</td>
<td>1.72</td>
<td>1.27</td>
<td>0.62</td>
<td>1.59</td>
<td>1.19</td>
<td>1.44</td>
</tr>
<tr>
<td>Mining, energy, electricity, water supply</td>
<td>0.36</td>
<td>0.56</td>
<td>0.75</td>
<td>0.58</td>
<td>0.65</td>
<td>0.30</td>
<td>0.48</td>
<td>0.37</td>
<td>0.20</td>
<td>0.34</td>
<td>0.47</td>
<td>0.95</td>
<td>1.21</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.96</td>
<td>0.42</td>
<td>0.24</td>
<td>1.20</td>
<td>1.35</td>
<td>0.78</td>
<td>0.78</td>
<td>0.91</td>
<td>0.39</td>
<td>0.27</td>
<td>0.95</td>
<td>2.71</td>
<td>1.52</td>
</tr>
<tr>
<td>Construction</td>
<td>0.70</td>
<td>1.19</td>
<td>1.15</td>
<td>0.91</td>
<td>0.78</td>
<td>0.91</td>
<td>0.91</td>
<td>1.39</td>
<td>0.91</td>
<td>0.93</td>
<td>1.01</td>
<td>1.52</td>
<td>1.15</td>
</tr>
<tr>
<td>Dist., trade., transport, account, food serv. activities</td>
<td>0.99</td>
<td>0.96</td>
<td>1.01</td>
<td>0.79</td>
<td>0.91</td>
<td>0.91</td>
<td>0.91</td>
<td>1.01</td>
<td>0.72</td>
<td>0.83</td>
<td>0.85</td>
<td>0.85</td>
<td>1.52</td>
</tr>
<tr>
<td>Information and communication</td>
<td>3.17</td>
<td>0.96</td>
<td>0.91</td>
<td>1.18</td>
<td>0.91</td>
<td>0.91</td>
<td>0.91</td>
<td>1.01</td>
<td>0.72</td>
<td>0.93</td>
<td>1.01</td>
<td>1.01</td>
<td>1.15</td>
</tr>
<tr>
<td>Financial and insurance activities</td>
<td>2.38</td>
<td>1.04</td>
<td>1.04</td>
<td>1.15</td>
<td>1.18</td>
<td>1.18</td>
<td>1.18</td>
<td>0.72</td>
<td>0.78</td>
<td>0.93</td>
<td>0.85</td>
<td>0.65</td>
<td>2.71</td>
</tr>
<tr>
<td>Professional and scientific and technical activities</td>
<td>2.63</td>
<td>1.12</td>
<td>0.79</td>
<td>1.15</td>
<td>1.18</td>
<td>1.18</td>
<td>1.18</td>
<td>0.66</td>
<td>0.69</td>
<td>0.83</td>
<td>0.85</td>
<td>0.66</td>
<td>2.71</td>
</tr>
<tr>
<td>Administrative and support service activities</td>
<td>1.00</td>
<td>0.83</td>
<td>1.03</td>
<td>1.15</td>
<td>1.18</td>
<td>1.18</td>
<td>1.18</td>
<td>0.84</td>
<td>1.15</td>
<td>1.23</td>
<td>0.85</td>
<td>0.88</td>
<td>1.44</td>
</tr>
<tr>
<td>Other services</td>
<td>1.01</td>
<td>0.84</td>
<td>0.67</td>
<td>0.87</td>
<td>0.81</td>
<td>0.81</td>
<td>0.81</td>
<td>1.12</td>
<td>0.77</td>
<td>0.98</td>
<td>1.26</td>
<td>1.26</td>
<td>1.23</td>
</tr>
</tbody>
</table>

Note: The index of specialisation is computed as a share of GVA in industry within the region over the average share of this industry across all regions. Then, index of specialisation of magnitude 1 shows that the industry share of the region is equivalent to national average. If the index is smaller than one, the industry is under-represented compared to national average, and values over one indicate over-representation, and therefore specialisation of the region in the given industry. Note that this table excludes the real-estate industry.12
Key growth opportunities for the future

Greek businesses and industries lack competitiveness and have lower rates of internationalisation

Greece needs to modernise its low productivity industries and sectors by leveraging its areas of competitive advantage in order to shift towards more dynamic and innovative ones that have higher added value and that can compete in international markets. Greece has increased its participation in global value chains, with 50% of Greek exports consisting of intermediate goods, but remains below OECD average of 61.5% in 2011. Increasingly, Greece is also using more of imported intermediate products and services, 36.3% of total imports, in the exported products, which is lower than the OECD average, with 39.3% (OECD-WTO, 2015). Greece has many comparative advantages such as quality institutions of higher education and a skilled labour force (OECD, 2018). New investments are needed to generate value chains at the local level and to support projects that will link regionally dynamic sectors such as the tourism and food industries and the transport sector, agriculture and the cultural industries. Regional productivity and competitiveness can be improved by focussing on these areas of competitive advantage.

Key growth opportunities for the future include tourism and food production as well as manufacturing and logistics

The tourism industry has proven resilient and could expand niche offerings. The direct contribution of travel and tourism to GDP in 2017 was EUR 14.3bn (8% of GDP) (World Travel and Tourism Council, 2018). Five Greek regions—Central Macedonia, the South Aegean Region, Attica, Crete and the Ionian Islands—account for the vast majority of all visits (84%), overnight stays (87%) and tourism revenue (89%)—and these numbers are forecast to grow. While these are positive trends, the share of high-income tourists has declined in recent years and the sector is highly seasonal compared to similar touristic destinations. More could be done to cater to different segments of the tourism market and to develop new areas—e.g., business tourism, cultural tourism, eco-tourism and agritourism. Seasonal tourism could be moderated by promoting city destinations and by catering to conferences and special events. Moreover, the linkages with Greece’s food sector could be strengthened. Some commonly reported barriers to the tourism industry in these regions include poor public investments, high interest rates for borrowing, licencing delays and inadequate tourism education training (Magoutas, Papadoudis and Sfakianakis, 2018).

Greek food production and manufacturing is a strength—the sector needs to enhance its competitiveness. A quarter of Greece’s overall industrial production is in agri-food. Investments in fixed assets, machinery and new technologies declined post crisis, reducing the competitiveness of the agri-food industry (Vassakis, Lemonakis and Voulgaris, 2016). It is estimated by the National Bank of Greece that Greece’s agricultural and food sector could bring an additional 12.2 billion euros per year into the economy and create 200 000 new jobs if it was brought up to modern standards.

- Greece’s regionally unique olive oil is a globally competitive product that could gain added value by shifting from bulk to branded sales.
- The wine and dairy industries are ripe for restructuring and would benefit from economies of scale including partnerships to expand the distribution network.
(e.g., food sales through cooperatives in Greece are less common than in other Mediterranean states). Greek wines have been on an upward quality trajectory in the last decade and their export potential is under exploited (Vlachos, 2017). 

- Fruit and vegetable production needs significant investments in production technology and expanded distribution networks.

These dynamics of these are different in every region. The competitiveness of these sectors can be enhanced by better cooperation on R&D with universities and research institutes and critically, high quality agricultural advisory services which are only now being developed. Employees and managers need continuous training given the comparatively low skills in the sector, and export promotion should be encouraged.

**Greece stands at the crossroad of three continents and has long been a strategic node for transportation—the logistics sector has potential for growth.** Improving connectivity is important for Greek productivity and industrial and SME competitiveness. Greece has the potential to become a major logistics, distribution and assembly hub for Europe and there is growing optimism about the future of this industry. The Piraeus port and Thriassio logistics centre are already high capacity while others—the ports in Thessaloniki, Alexandroupoli and Patras—have expansion potential and could drive demand for procurement, warehousing and inventory management services. Logistics efficiencies can reinforce the competitiveness of Greek firms. This includes technological investments in distribution networks, infrastructure upgrades and improved regulations (e.g., general transport policy documents, formalised procedures) (Giorgi and Pohoryles, 2018).

**More could be done to boost export capacities for goods.** Greece is less export-oriented than other economies of a similar size. For example, Greece’s share of domestic value added embodied in foreign final demand stood at 22% in 2014, which is below that of Italy, Spain and Portugal (at 24-30%) (OECD, 2018). Greece’s export market is dominated by basic commodity goods such as aluminium, marble, olive oil, olives and feta cheese. SMEs in the food sector (e.g., yogurt, smoked fish) present significant potential for value-added in export growth. Just 11% of SME sales are exported compared to 18% across the EU (National Bank of Greece, 2018). Greek SMEs were hard hit throughout the crisis years as domestic demand dropped and access to credit tightened. Fortunately, more than half of all export-oriented SMEs in Greece were able to increase their exports over this time. Exports are driving growth in these tradeable sectors.

**From reforms to implementation: Making place-based policies work**

Greece exited the ‘bailout’ conditions in August 2018 and has recently prepared its own “National Growth Strategy”. In the coming years as the economy improves, Greece aims to stimulate investments, improve entrepreneurial and business ecosystems, build resilient labour markets and address environmental challenges while tackling pressing social challenges such as reducing inequalities and improving the inclusiveness and quality of jobs and education. Delivering on these objectives requires a deep understanding of how policies interact and how different levers can be combined for maximum impact. Regions, cities, and rural areas need to play an active role in this path. This is the central challenge for the future.

EU co-financed projects have been the largest part of public investment expenditures in the country and will remain critically important in the coming years. Going forward,
national resources need to be better leveraged alongside private investments and Foreign Direct Investment (FDI). Regional governments also need to further develop their own regional development strategies and ensure they are coordinated with national priorities and with EU-funded programmes.

Investments in the past several years have prioritised basic infrastructure such as roads and ports. In the coming years, much more needs to be done to boost the competitiveness of SMEs and industries and this requires different kinds of investments—from improved connections between research institutions and businesses to the development of new producers’ associations.

The OECD’s recent missions to the island regions of Crete, the Northern Aegean, and the Ionian islands have illustrated the importance of ‘place’ in these policies. These regions report the need for the greater availability of tourism training in order to help the industry shift to higher-end tourism products and for agricultural advisory services and coordinated supply chains to boost agrifoods. Such activities are challenging to deliver across these territories and there is a lack of qualified staff due to challenges recruiting personnel on small islands and limits on hiring new staff. Tailored, flexible and responsive solutions are needed. For example, some of these challenges could be overcome with investments in e-services and mobile services.

Regional development strategies could benefit from a place-based approach where sectoral policies (support for private investment, infrastructure and human capital policies) meet and interact in each place, generating multiplier effects. Place-based policies might also help to ensure that growth benefits reach different population groups and places—from continental, mountainous and island localities.

In order to deliver on this, regions need greater autonomy, responsibility and accountability; that is, there needs to be greater ownership of policies at the regional and local levels. Place-based policies require governance arrangements that facilitate coordination and integration of sectoral policies, as well as co-ordination arrangements that allow delivering regional policies and investments at the relevant scale and bring together relevant public, private and civil society actors. Regions and municipalities need to have sufficient capacities—administrative, financial, and professional—to deliver. Without this, the risk is that public investments will take place on a project-by-project basis. While Greece has put new structures in place to deliver on this (i.e., administrative and regulatory reforms)—, an important challenge remains on how to further consolidate the role of the recently created regions in regional development and investment policies.

**Recent territorial and regionalisation reforms enhance locally led policy-making**

In 2010, the Kallikratis reform established a new architecture for decentralised administration. The reform sought to rationalise resources and local spending by creating economies of scale and improving service delivery to citizens and enterprises at the local level. For this, thirteen self-governed regions with directly elected regional councils were created with new powers, notably in the areas of regional planning, transports, employment and education, among others. At the same time, the number of municipalities was reduced from 1033 to 325. The reform also provided more competences to the two main urban agglomerations in Greece, The Metropolitan Region of Attica and Metropolitan Unit of Thessaloniki, in four strategic sectors (e.g. transport and networks; environment and the quality of life; civil protection and security; spatial planning and urban regeneration).
Since 2010, the process of transferring responsibilities to the regions has continued both through amendments to the Kallikratis law and through newer sectoral legislation. In July 2018 the Kleisthenis reform introduced new tools for the transfer of responsibilities to municipalities and regions as well as mechanisms for the recording and evaluation of the powers and responsibilities that have already been transferred.

Despite the transfer of responsibilities within the framework of the 2010 Kallikratis reform, Greece belongs to the group of the most fiscally centralised countries in the OECD together with Chile, Ireland, New Zealand and Turkey. Subnational government expenditures as a percentage of general government expenditures stood at 7.1% in 2016, the lowest in the OECD, while on average in OECD unitary countries subnational expenditure represents 29% of total public expenditure (OECD, 2016). The share of staff spending of subnational governments in total public staff expenditure is also among the lowest in the OECD (Figure 12).

In 2016, subnational governments were responsible for 18.6% of public investment, below the OECD average of 56.9% and with only Chile and Ireland having lower shares (OECD, 2016). Moreover, subnational public investment has not yet recovered to the pre-crisis levels: between 2008 and 2017, subnational public investment decreased on average 10% per year (Figure 13). In this scenario, boosting public investment—a key lever to ensure growth in all Greek regions—needs to be a key priority for Greece.

**Figure 12. Subnational expenditure, investment, tax revenue and debt in OECD unitary countries, 2016**

<table>
<thead>
<tr>
<th>Category</th>
<th>OECD (unitary countries)</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Greece</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure</td>
<td>7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff expenditure</td>
<td>11%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td>19%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax revenue</td>
<td>3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td>1%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Greek local and regional governments have also limited own source revenues. Even if now subnational governments are less dependent on central funding, transfers from the central government (mainly from the Central Autonomous Funds, CAF) still represent the primary share of subnational government revenue accounting for 95% of total revenue (Torres Pereire and Mosler-Törnström, 2015[23]). This constrains the discretion of elected officials over budget distribution, since about one third of CAF and an important proportion of other state grants are reserved for investment expenditure (Torres Pereire and Mosler-Törnström, 2015[23]).

**Assigning clearer responsibilities**

Like all OECD countries, Greek regions and municipalities share responsibilities with the central government, notably on education, health and transport. Regional actors have particularly noted the overlap of responsibilities between the regions and the deconcentrated representative at the regional level.15 Indeed, it has been documented that the role of the seven state administrations is especially unclear as they become progressively weaker, as a consequence of the empowerment of regions (Torres Pereire and Mosler-Törnström, 2015[23]). Regional authorities highlight that there is a certain degree of confusion among national and subnational authorities on which is the competent authority and is therefore ultimately responsible in sectors such as infrastructure and transport. For example, all three levels of government are responsible for some aspects of road maintenance and floodwater management.

The second wave of decentralisation reforms, known as the Kleisthenis reforms, which seek to clarify the division of responsibilities across levels of governments represent an important step forward in this matter. During this process, it will be crucial to seek a balanced decentralisation which may be conducive to growth allowing subnational
governments to better co-ordinate policy and to reap economies of scale and scope across functions (OECD, 2019, forthcoming[24]).

Given the diversity of Greeks regional and local governments in terms of geographical conditions and capacities, an asymmetric devolution of competences for subnational governments may result in more efficient investments and service delivery. The Kallikratis reform considered that certain islands municipalities can provide more services than their peers, in particular, those with a very low density of population, vast distances, and difficult transportation. However, most of the regulation follows the uniformity criteria by which all regional and local governments have the same competences and responsibilities (Torres Pereire and Mosler-Törnström, 2015[23]). A more accurate special status for insular municipalities, especially on the financial aspects, could ensure a more efficient use of resources, service delivery and investments by tailoring responsibilities consistent with local capacities, local circumstances, local needs and local preferences (Allain Dupré, 2018) (Torres Pereire and Mosler-Törnström, 2015[23])

**Strengthening human capacities at the subnational level**

Territorial and decentralisation reforms in Greece have outpaced improvements in administrative capacity and professionals skills so that Greek subnational governments have found difficult to effectively deliver on their newly devolved responsibilities. This is partially due to the compliance with Memorandums of Understanding signed between the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF), that limited the capacity of regions and municipalities to hire new and qualified professionals to undertake these new responsibilities. Since the crisis, the number of civil servants has been significantly reduced – public employment was reduced by almost 10% between 2006 and 2015 in regions (OECD, 2019[25]). Since 2010, municipalities have also experienced important cuts in personnel. This has hampered the effective implementation of the reforms that sought to give a more active role to the regions and municipalities in regional policies.

Regions and municipalities are now confronted to a double straitjacket in terms of quantity and quality of staff. On the one hand, many of them are understaffed and often do not have the sufficient personnel to deal with basic daily tasks. They also frequently lack specialised staff to undertake specific responsibilities such as land use planning. On the other hand, regions and municipalities confront a qualitative challenge, as their staff sometimes lack some specific skills, in particular for the use of new technologies. For example, subnational governments have difficulties in dealing with regulations that oblige them to publish on the web decisions of local governments, or managing the centralised system for public procurement (Torres Pereire and Mosler-Törnström, 2015[23]).

Strengthening the capacities and professional skills at the subnational level is a necessary condition to make place-based policies work in all regions and localities and boost public investment. For this, regular targeted training for local government officials is critical. Training efforts need to consider the specific local deficiencies and needs, as well as the geographic constraints of certain island and mountain localities. It is thus critical to better exploit e-training tools as well as peer-learning between regions and municipalities. Capacity building is also a *learning-by-doing* process in which subnational governments should gradually acquire more autonomy. With softer hiring rules, subnational governments will have the opportunity to actively develop a human resources management system.
Involving regions, local governments and private stakeholders in the planning and implementation of regional policies and investments

Collaboration and dialogue between the central level, regions, municipalities, and private stakeholders have improved during recent years, in particular for the management of EU funds. The National Co-ordination Authority has organised different consultation instances involving in particular the regional level to determine the priorities of the different operational programmes.

Regions and municipalities have also strengthened their cooperation through, for example, cross-level “associations” for infrastructure investments or service delivery. In particular for waste management, in the Attica Region, the region and municipalities are obliged to co-operate while in the other regions, it is a compulsory inter-municipal association that deals with waste management. Municipalities and regions can also set up contracts involving both tiers and/or several municipalities such as the “framework agreements” for infrastructure investments where not only local authorities, but also other public authorities, universities, and public sector entities (public enterprises etc.) can become parts of (Torres Pereire and Mosler-Törnström, 2015[23]).

Despite the co-ordination instruments and dialogue platforms are regulated in different laws, the implementation and use of these instruments remains challenging. For example, the Region of Attica operates four ad hoc sectoral “metropolitan committees” that do not hold decision-making power and municipalities are not systematically represented (OECD, 2015[26]).

To make a more efficient use of existing co-ordination instruments (e.g. thematic networks, contracts, councils, etc.), it is important that Greece ensures that all stakeholders are effectively represented and that the rules and outcomes of the participation are clearly determined and known by all participants (OECD, 2018[27]). Stronger partnerships with citizens, local communities, and private actors can also better ensure that regional policies and investment responds effectively to local needs that may vary between territories (e.g. continental or islands territories).

Simplifying administrative procedures

Greek subnational governments face high administrative burdens when managing regional policies and investments. This is a major obstacle for regional development policies and the management of EU Structural and Investment Funds. Legislations and regulations often go into great detail and in some cases the standards might be obsolete, ultimately increasing the complexity of legislation and creating inefficient procedures (Torres Pereire and Mosler-Törnström, 2015[23]). Frequent changes in regulatory and legislative frameworks in Greece and the complexity of European and national regulations also limit the positive implementation and impact of policies and programmes.

Greece has taken important steps to simplify procedures and it is now one of the government’s main priorities. The National Strategy for Administrative Reform 2017-2019 aims at transforming public administration into a key tool for economic prosperity, serving at the same time the needs of citizens and businesses. The strategy focuses on 8 areas of work, among which there is the modernisation of the legal framework concerning the operation of local government entities putting emphasis on social
participation and accountability. Some regions are also moving to implement e-government. Moreover, it is anticipated that the next EU programming period will target and sustain a greater simplification of rules and procedures which will benefit the management of EU structural funds.

Regional policy for Greece post 2020

This is a critical time for Greece. After eight very difficult years, Greece exited financial assistance “bailout conditions” last August and is on the path to economic recovery. This momentum needs to be maintained in the coming years. Place-based regional development policy can help all regions realise their full economic potential. Each Greek region has a specific set of strengths and weaknesses that makes it different from most other regions. Place-based policies will enable regions to capitalise on their strengths. Regional/local policy design and implementation can stimulate investments, improve entrepreneurial and business ecosystems and build resilient labour markets, while tackling relevant social challenges such as fostering social dialogue, reducing inequalities, improving the inclusiveness and quality of jobs and education. This however, requires a deep understanding of how policies interact and how different levers can be combined for maximum impact.

The OECD Territorial Review of Greece will offer diagnosis, analysis and recommendations on how to make the most of Cohesion policy in the years ahead and leverage national and private investments to help boost productivity across all Greek regions and promote sustainable, inclusive growth, well-being and social inclusion. The Territorial Review has three primary objectives:

i. To identify recommendations and leading practices for the post 2020 policy programming and negotiations with the European Commission;

ii. To help define development priorities and a strategic plan for the post 2020 period, based on the comparative advantages of Greece as a whole and of its regions;

iii. To strengthen capacities at national, regional and local levels to programme, coordinate and implement integrated economic development and Cohesion policies.

Place-based regional development policy necessarily involve a wide range of regional and local actors alongside the implementation of several complementary policies in parallel. This fundamentally requires effective local and regional governance and strong multi-level governance relations. In the OECD’s two research missions to date, regional and local governments and other local actors have revealed a depth of knowledge about local conditions and a readiness to be full partners in the development process. This bodes well for the future.

To contribute to this ongoing dialogue, the OECD will deliver as part of the Territorial Review of Greece four capacity building seminars which aim to help strengthen the capacity of national and subnational governments to design and implement effective regional development and cohesion policies. The four seminars will involve representatives of all the 13 Greek Regions.
Notes

1 The severe material deprivation rate is the proportion of the population living in households unable to afford at least four of the following items: unexpected expenses, a one-week annual holiday away from home, a meal involving meat, chicken or fish every second day, adequate heating of a dwelling, durable goods like a washing machine, colour television, telephone or car, or are confronted with payment arrears (Eurostat, 2016[33]).

2 Please note that the ESIF includes: ERDF, ESF, Cohesion Fund, EAFRD, EMFF (2014-2020 programming period). While the Structural Funds from the beginning included only ERDF and ESF.

3 This is based on: i) a vector error correction model and; ii) a structural macro econometric model.

4 Previous OECD research in Athens has found that spatial and economic issues are planned separately from each other, with little alignment between regional and municipal objectives and few implementation tools (OECD, 2015[26]). A lack of integrated metropolitan planning has led to poorly coordinated investments.

5 E.g., Remote islands located in Norway, Iceland, and Sweden, and remote islands in Great Britain (Shetland Islands), France (French Guiana) and Portugal (Autonomous Region of Acores).

6 Population projections submitted by the Hellenic Statistical Authority (ELSTAT) to its European Union counterpart, Eurostat. The 2018 projections differ from 2011 scenarios by projecting a faster than anticipated decline in the sizes of the population and the working-age population.

7 In 2016, the youth unemployment rate (percentage of unemployment 15-24 over labour force 15-2) in the regions of Eastern Macedonia, Central Macedonia, Thessaly, Western Greece, Central Greece and Peloponnese stood between 52-53%; these are the highest rates among Greek regions. In contrast, the youth employment rate in EU 28 stood at 18.7% in 2016 (OECD, 2019[25]).

8 In 2016, the youth unemployment rate (percentage of unemployment 15-24 over labour force 15-2) in the North Aegean, South Aegean and the Ionian Islands stood between 34-39%. In contrast, the youth employment rate in EU 28 stood at 18.7% in 2016 (OECD, 2019[25]).

9 The long term unemployment rate is the lowest in the regions of South Aegean, Ionian Islands, North Aegean and Crete and highest in Central Greece, Western Macedonia and Western Greece.

10 Between 2007-09, the annual growth rate of government employment stood at -0.8; in 2012 it was the lowest in the OECD at -7%, while in 2015 it was neutral at 0% (OECD, 2017[32]).

11 The region has been dominated by lignite mining (brown coal) and lignite-fired power generation plants—activities which have contributed to environmental degradation (Samara et al., 2018[31]). Greece is highly dependent on lignite for its electricity production (around 50% of energy generation). Given the dominance of these activities, a key challenge for Western Macedonia is to shift to greener forms of energy production and to diversify its economy.

12 The real estate sector has been excluded because it accounts for the value of real estate and employs small share of employment, shifting the weight of the real economy. The real estate sector has had different dynamics than the rest of the sectors. Real estate GVA grew in all regions over the past decade, increasing the Value Added in the sector by at least 20% over the period, and almost 40% in Eastern Macedonia. Other sectors grew by smaller - if any – margin.

13 With the Kallikratis reform, Greece has 13 regional governments and 7 deconcentrated state administrations each led by the Coordinator of Decentralized Administration (State) selected by the Council of article 160 of Civil Servants Code and appointed by the Minister of Interior)
The law titled “Reform of the institutional framework of Local Government - Deepening of the Republic - Strengthening the Participation - Improving the economic and developmental function of Local Authorities” was passed July 2018 (Μεταρρύθμιση του θεσμικού πλαισίου της Τοπικής Αυτοδιοίκησης, 2018[30])

See note 12.

In 2010, the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF), colloquially called the European troika, agreed with the Greek government in a three-year financial aid programme that was outlined in a Memorandum of Understanding. A second Memorandum of Understanding was signed in 2012 and the third one was signed in 2015. The third and last Economic Adjustment Programme expired in August 2018.
References


on 22 February 2019).


Μεταρρύθμιση του θεσμικού πλαισίου της Τοπικής Αυτοδιοίκησης (2018), Ελληνικό Κοινοβούλιο, [https://www.hellenicparliament.gr/Nomothetiko-Ergo/Psifisthenta-Nomoschedia/?law_id=ccad0ac4-4e52-4f2f-b444-a9130156ebc6](https://www.hellenicparliament.gr/Nomothetiko-Ergo/Psifisthenta-Nomoschedia/?law_id=ccad0ac4-4e52-4f2f-b444-a9130156ebc6) (accessed on 6 February 2019).