November 2012

GREECE - A PROPOSAL FOR ACTION

A. <u>GREECE – OUR CONCERN AND ACTION ARE JUSTIFIED</u>

The Greek crisis that erupted in 2009 is not simply a sovereign debt crisis. It is due to a combination of underlying developments which had been taking place all along the 30 years period 1980-2009; these negative developments became obvious and dominant in the Greek society and economy only after the sovereign debt crisis of 2009.

At the level of the economy these negative developments include:

- Accumulation of sovereign debt over this period.
- Excessive public and private consumption.
- Excessive internal and external deficits.
- A quite imperfect and rather oligopolistic internal market characterized by rigidities and insufficient competition.
- A declining competitiveness in the EU and the global economy over the last decade.
- Insufficient investment and an innovation deficit at least over the last decade.

Beyond the economy, Greece has been suffering also by the weakness of its institutions. All institutions and pillars of the civil system in Greece, (ie the legislative and the political system and the political class in general, the executive and administrative pillars, the judicial system and last but not least the media) have been characterized by weaknesses and structural deficiencies. We should refer more particularly to:

- A bureaucratic, cumbersome, in many cases inefficient and in some cases corrupt public administration and public sector.
- An unfriendly and in some cases corrupt public environment in respect of entrepreneurship.
- A rather conservative political class, society, public opinion and education system regarding entrepreneurship, innovation, fast and smooth adjustment to developments; this happens despite the fact that Greeks have historically excelled worldwide in creativity, entrepreneurship and flexibility.
- A complicated, unfair and inefficient taxation system encouraging corruption and being a key barrier to entrepreneurship and investment.

- Last but not least resistance (and consequently delays) of the political class, of the administration and of the whole society in adopting the necessary structural reforms at all levels.

The simultaneous presence of economic, institutional and administrative deficits in Greece, which have been deteriorating along the last 30 years, indicates not only a management failure but also the absence of sufficient orientation and strategic vision of a country and in particular of its elites. Well positioning Greece in the EU and the world economy and division of labour has not been the first priority of the Greek elites and of the social partners, as it should have been.

Instead, one might be tempted to say that somehow in the last 30 years the 'objective and the vision' shared by the Greek middle class and by a substantial part of the Greek elites had been the enhanced consumption of preferably imported goods, financed largely by deficits and sovereign debt.

Following the lasting and deepening economic, social and political crisis over the period 2009-2012, the social situation in Greece is currently difficult and risks becoming explosive in the next months. We are witnessing the expansion of poverty and misery, a widespread feeling of citizens about the absence of perspectives, orientation and strategic planning for the future of the country. An increasing number of people are suffering or threatened by social exclusion. Unemployment is increasing and there is no visible perspective of returning to work for unemployed or for finding a job for young people, and this for many years to come. A brain drain is already the case, since more and more well educated and qualified young people leave Greece.

All these developments are producing a quite explosive social and political mix. In politics, the Center-left socialist party PASOK is simply vanishing and it is not clear whether it could achieve its reconstitution and reorganization in the next couple of years. Desperate unemployed or deprived citizens are attracted by the emptiness and moonshine of faked proposals and ideologies presented to them either by obsolete or irrelevant left or right parties or by Nazi type extreme right parties.

The left coalition of 14 components that make SYRIZA might be the first Greek party in votes at the European elections of 2014. By then SYRIZA might have been transformed into a a more or less single and united, modern center left pro-European party; however it is not at all sure that this will ever happen. Consequently, it is quite probable that the center left pro-European space in the Greek political system would not be occupied by any solid political party in the next years.

In this context, we should agree about a clear and urgent need to avoid an eruption of the Greek volcano by addressing now in a global and integrated way all the above mentioned deficiencies of the Greek society, economy, public sector and institutions. Achieving this objective is feasible, if we succeed in mobilizing in this direction firstly a large majority of Greek people and in particular all the hard working, well-educated and creative citizens, and secondly the EU and its Member States. For this purpose we should proceed through an integrated and joint action taken by both the Greek Government and the EU. Only in this way we could be able to protect the Euro, the Euro Area, and the European Union from an uncontrollable new eruption and spread of the Greek crisis in the future.

The reality and the vocabulary of the crisis and the absence of perspective and hope are weighting more and more in the lives of citizens in Spain, Portugal, Italy, Ireland and of course of Greece. The 'Economist' of 17 November suggests that on top of that, France is the time-bomb in the heart of Europe. Shall we allow for the collapse of the Euro and consequently of the European Union to happen, triggered by the Greek crisis?

B. STATE OF PLAY OF THE GREEK ECONOMY AND OF THE EU/IMF ADJUSTMENT PROGRAMME

In the five years period 2008-2012, the total cumulative contraction of the economy is about 20% in terms of GDP shrinkage. A further reduction of the GDP by 4-4,5% is foreseen for 2013, while a slight and weak recovery by 0,6% is foreseen by the EU Commission for 2014.

This persisting and deep recession and the shrinkage of GDP are making again unsustainable the Greek sovereign debt, which could reach about 190% or even more of GDP at the end of 2013. This could happen despite the haircut of the Greek sovereign debt held the private sector, which took place in early 2012 and which has reduced the Greek debt by about 100 bn €.

The Vice President of the Commission Oli Rehn declared the 7 November that the Greek sovereign debt is not sustainable and that the lenders and the Greek government must seek ways to address this problem. He excluded however a haircut of official loans to Greece.

The decisions of the Euro Group of 26 November constitute an important step in the long effort to re-establish the macroeconomic balance in Greece, by reducing the volume of debt and the debt service burden. However, action in the sovereign debt front should be combined with an investment and development effort supported by the EU. Our proposal is that support by the EU should not be limited to financial assistance.

Total investment in Greece has collapsed in the period 2009 - 2012, mainly due to the collapse of private investment, while public investment has been decreasing at a much lower rate along these years. In the four years period 2008–2011, the cumulative reduction of total investment on constant 2005 prices reaches 63% (source: ELSTAT, annual national accounts). Private consumption has also been declining sharply in the last years, this being a key factor contributing to the persisting and deepening recession.

On the other hand, positive developments have been achieved. The fiscal adjustment is progressing quite well, and both the internal and external deficits have been reduced substantially in the last three years. The public sector deficit has been reduced from € 36,1 billion in 2009 to € 19.4 billion in 2011, while the target for 2012 is € 13,7 billion .The current account deficit passed from a record of € 34,8 billion in 2008 to 21,1 billion in 2011, due to both an increase of exports and a decrease of imports. Overall, the fiscal adjustment operation in Greece represents one of the most intensive deficit reduction efforts made by a country with developed economy in the post-World War II era.

The implementation of the global package of Structural reforms foreseen by the MOU has made some progress in many areas. Several of these reforms need further action to be completed, in particular those relating to the taxation system and to reducing fraud, corruption and the shadow economy. Reforming the health care system is on track and must be monitored closely, and of course substantial progress is urgently needed regarding the reform of the public administration, as well regarding the privatization of some public utilities and public companies.

However, we must pay particular attention to the constant decline of the administrative capacity of the public administration in the last three years. This is mainly due to important horizontal salary cuts and to the early retirement of many competent and experienced high officials.

At the same time no systematic and effective restructuring and redeployment of available human resources has been completed so far. This means that particular action and care are necessary to ensure the necessary administrative capacity where crucial reforms must be completed or carried out, and where indispensable and key efforts for growth and development must be undertaken. In this deep crisis context and the current dismantling of the public administration, partial or total use of outsourcing and of technical assistance is needed, if we want to implement policies and to achieve some results now and not after many years.

C. THE GREEK BANKING SECTOR AND THE LIQUIDITY CRUNCH

A severe liquidity crunch is depriving firms and the economy from any access to finance. About 90 bn € of deposits left the country since early 2010, directed to Switzerland, Cyprus, Germany, other EU Member states or overseas. On top of that, Greek banks suffered a loss of more than 25 billion € due to the haircut of Greek state bonds held by them, while non-performing loans had been estimated by the Black Rock report to be about 25 billion € in 2011, ie around 10% of the total volume of loans.. However this figure is constantly increasing due to the persisting deep recession, soaring unemployment, reduction of revenues and declining demand. Non-performing loans might exceed 20% of the total volume of loans today.

The liquidity crunch is depriving healthy firms even from export credits. The State has failed since several years now to pay its arrears to firms. State arrears to firms are about 9 billion € at the end of 2012, despite the fact that payment of arrears is a priority action foreseen by the EU/IMF adjustment programme. These developments contribute to a further increase of non-performing loans.

The four major Greek banks need at least 27 billion € to be recapitalized, on the basis of Basel II capital adequacy requirements. They have already received by the State capital injections of 18 billion €, and they should receive the balance in the next months. Private shareholders are expected to contribute 10 % of the total capital increase. We could assume that shareholders would be ready to finance 10% of this amount in the short term, as it is foreseen by the national law of 2011 on recapitalization of banks. The persisting recession is triggering the sharp and persisting decrease of the value of banking sector shares. Under such conditions it is doubtful whether private shareholders would be able to buy back the State owned shares of their banks after 5 years, with a view to keeping the control and the management of their banks in the long term.

In this context, it is not surprising that Greek banks are now striving to fulfil the capital adequacy requirements through the State contribution to their recapitalization. Hence, they offer in practice no new loans to firms, to investors and to the real economy in general. In fact, new loans to firms are in substance equal to zero in the last three years.

The expected role of the EIB and other IFIs in assisting Greece to deal with the credit crunch for firms has not been fulfilled so far, and further efforts by the EU are needed to push EIB in this direction. The imminent establishment of a new

Institution for Growth in Greece, initiated in the last months by the TFGR, is expected to contribute to addressing at least partly the market failures and the lack of financing for investment. Further to that specific attention should be also paid to seek solutions addressing the need for smoother financing of export credit.

D. EMPLOYMENT AND SOCIAL COHESION

On the social and employment front developments are justifying a lot of concern. Unemployment soared to 25,4% on the basis of ELSTAT data of August 2012, meaning that 1,267 million people are currently out of work. Unemployment in the age range 18-24 is 58%, and in the age range 32-54 is 32,9%.

Substantial salary and pension reductions in both the public and private sector took place in the last couple of years, affecting at least one more million employees or pensioners, who can no more reimburse their housing loans, or they can no more afford heating costs, the cost of health services, or even food costs for their families, etc. This means that around half of the population in Greece lives now below the poverty threshold, while at the same time the national social protection system is rudimentary.

The traditional solidarity inside the Greek families, Church and charities may cover only partly this need for a minimal social protection of the crisis victims in Greece. Hence, the importance of active policies and action for social protection, social inclusion and for developing the social economy in Greece is obvious.

In this context developing efficient microfinance structures and institutions combined with offering sufficient coaching to new entrepreneurs, farmers, craftsmen, self-employed people, should be currently a top priority for Greece.

E. A NATIONAL INTEGRATED STRATEGIC PLAN FOR GROWTH IS INDISPENSABLE

It is now becoming clear and widely accepted that without an investment and development programme which should be implemented in parallel to the fiscal consolidation efforts and the structural reforms, Greece will not be able to come back to a sustainable path of growth. In fact, only growth rates around 3% per year would allow Greece to pay back its debt, to sustain public and private investment, to reconstitute social cohesion and to re-build the State and the political system.

Growth rates of 3% would be possible and sustainable only through more investment, in particular foreign direct investment, and by enhancing exports. Internal consumption and demand cannot be financed to contribute substantially to the achievement of such growth rates in the next years; only substituting imports by local products could contribute to some extent to sustainable growth and jobs. Growth and exports are the key instruments that could allow Greece to escape the infernal negative debt and recession spiral into which it has been trapped since 2009.

This does not mean that the fiscal adjustment objectives and the structural reforms are not indispensable. Restoring the balance and even achieving a primary surplus of the State budget from 2014, completing in a timely and successive way all the structural reforms included in the MOU, in particular those relating to reforming the public administration, the tax system and administration, the health system, combating corruption and red tape, must certainly be maintained as key objectives of the effort to redress Greece.

However, fiscal adjustment and structural reforms alone cannot bring recovery and sustainable growth at a rate about 3% per year, at least in the short and medium term. Structural reforms which would never be fully implemented by poor and deprived officials, or financial assistance taking exclusively the form of sovereign loans, will not be sufficient to bring back Greece to the sustainable growth track.

An integrated reconstruction programme under Greek ownership and the involvement and hard work of Greek people employed both in the private and public sector for its implementation, are indispensable conditions for success, along with fiscal consolidation, structural reforms effectively implemented and last but not least investment and in particular foreign direct investments.

In other words, substantial and sustainable growth will come back to Greece only if the Greek Government, the Greek entrepreneurs and the Greek people establish now themselves their own strategic and integrated plan for growth and they work hard to implement it, assisted mainly by the EU and Member States to build the necessary capacity and to carry out this huge task.

At the same time recovery depends on rebuilding fast the Greek people's self-esteem and a positive image of the country and its efforts both within Greece, the EU and worldwide. Improving the international financial markets' perception of Greece and its future is also an important prerequisite for recovery and sustainable growth, and for making the Greek sovereign debt sustainable.

In the last weeks, several distinguished and respected Greek and international personalities published articles in the press stressing the absence so far and the urgent need to establish and implement now a Greek integrated plan for growth.

We are referring for example to an article by ex-Minister and Professor of Economics Tassos Gianitsis about ‘A list of wishes for growth but no plan and very little action’ (Vima, Sunday 4 November), an article by the alternate CEO of Eurobank, Professor of finance Nikos Karamouzis ‘How the Greek Economy would come back to growth’(Kathimerini, Sunday, 14 October), interviews by the distinguished ex Turkish Minister of finance and Professor Kemal Dervis, and the banker and Professor of Economics Vassilis Rapanos in Kathimerini of Sunday 21 October and Sunday 4 November respectively, etc.

The first step in this direction would be to urge and help Greece in establishing an integrated Greek National Strategic Plan for Growth .Undertaking this effort should not mean of course that all the reform and fiscal consolidation efforts under way or any new effort in this context should be stopped waiting until the Integrated Development Strategy has been completed.

Certainly an integrated Strategic plan would focus on enhanced and sustainable private and public investment, friendly and fair business and taxation environment, continuous training and quality education pushing the new generation towards creativity and entrepreneurship, innovation and enhanced new business creation, boosting exports of goods and services, improved access to finance for enterprises and investors and households, stable, reliable and efficient institutions and public administration.

But all these general objectives accepted and understood now by almost everybody in Greece, should be further specified and translated into specific Action Plans and objectives for each Ministry at national level and for each one of the 13 Regions of Greece at regional level. Further to that, each major city and municipality under the Kallikrates reform should establish its own integrated strategy and Action Plan for local sustainable growth, in the framework of the general integrated strategic Plan.

Pushing regions and cities to become much more involved and responsible in planning and working to win their own future is crucial. Transfers by the State and by the EU - Brussels should now be considered by Regions much more as the key instrument for investment and for winning a better future and much less as the key financial source for survival or even for provisional prosperity.

To the extent that this would be feasible, specific strategies and action plans should be also established for each key sector and activity field of the Greek economy. These Action Plans once elaborated and adopted, including attribution of tasks, responsibilities and deadlines to key actors within Ministries, Regions, major Cities, social partners, institutions, etc, should be made public. The entire exercise should be largely communicated to Greek economic and social actors and to Greek citizens, as well to European Institutions and Member States. Some form of ex ante and on-going public consultation might also be envisaged, in a smart way allowing avoidance of delays.

The overall coordination, monitoring the implementation of the plan and reviewing it where necessary, should be ensured by the Prime Minister himself and his Office. The two other parties participating in the government should of course be involved in all phases of this operation, in accordance with modalities to be agreed within the Greek Government.

Ensuring a widespread Greek empowerment and ownership of these plans is crucial. The Integrated Strategy for Growth and the abovementioned specific Action Plans should be mainly initiated, elaborated, adopted and implemented by Greek actors. Both the Strategic Plan and the specific Action Plans should benefit from the widest possible acceptance and empowerment of the Greek people. The EU and in particular its Task Force for Greece-TFGR would be among the key initiators of the effort but on the other hand the key actors for success would be the Greek Government and the Greek people, who would finally implement the plans.

The TFGR could be a key driving force for ensuring a good quality of these plans and for keeping them on track in the medium and long term, contributing substantially to the efficiency and the continuity of the entire effort.

The Structural Funds of the EU would be the key financial tool for the implementation of both the Strategic and the specific plans. The Common Strategic Framework and the operational programmes of the Structural Funds 2014-2020 would encompass the substance of the abovementioned Greek Strategic and specific regional and sector development plans. In this way, a substantial part of the Greek Strategic and specific plans would ensure stable financial resources for its implementation and at the same time it would be transformed into funding agreements between Greece and the EU Commission, having a contractual status and value.

The integrated development effort shall be supported by the EU and financed firstly by the Structural and Agriculture Funds of the EU. Secondly it should be financed by the European Financial Institutions and in particular by the EIB, followed by other European and international long term investors such as the CEB, KFW, WB, etc.

However, private investment shall not be there without prior tangible progress in institution building in Greece, coupled with a positive shift in the psychology of Greek people, in particular of young people. This is why a systematic effort and rapid progress in institution building and in establishing efficient delivery mechanisms across the government, regions, major cities and institutions is now indispensable. Besides its positive effects in respect of private investment, any improvement of delivery mechanisms and in institution building would in its turn largely facilitate and accelerate the absorption and use of the Structural Funds of the EU in Greece.

F. CONCLUSION
GREECE: A NATION AND A SOCIETY IN NEED OF STRATEGIC ORIENTATION AND HOPE WITHIN EUROPE AND THE EURO AREA

In conclusion, doing business as usual in Greece by both Greek and EU actors, cannot bring solutions to such a deep and lasting crisis situation. Exceptional circumstances and crisis need exceptional and concerted action for remedy.

An overall Integrated Strategic Plan and its specific action plans per sector, region, ministry and institution, major city, etc, is a necessary tool and framework for bringing together a large majority of Greek people and urging them to work in a coordinated way for their future and for the future of Greece within a real European Union. Ultimately it’s only the Greek people who can make a recovery plan a success, but this may happen only if the Greek people are assisted by the EU.

The Greek adjustment programme of the EU/IMF and the successful implementation of the EU Structural Funds in Greece would be two important components of the global strategic and the specific Action Plans. However the latter would encompass them and would go further to include the global planning, reform and implementation efforts which are indispensable for achieving the objective of sustainable development of the Greek economy.

The Strategic Action Plan including its specific Action Plans, would be a key tool for orientation, work and continuity, but further to that it would be the symbol of a joint effort of Greece and the EU, offering to citizens and to the new generation hope and perspective, encouraging and pushing them to work hard for winning their present and future.

The key drivers for preparing and implementing such a Strategic Action Plan and its sub-plans would be the Greek Government and the EU, whose action would be coordinated and where necessary initiated by its dedicated arm for Greece, the TFGR.

The Task Force for Greece established by the President of the European Commission Jose Manuel Barroso in the summer 2011 is already working with the Greek Government in this direction. However, taking into account the importance and size of the challenges that we are facing today, this joint effort should be further enhanced and its scope could be further enlarged to include an overall growth and reform strategy for the economy, the administration and the entire society, as discussed above.

As an indicative example of the practical meaning of the above proposal in the case of one Ministry linked to one sector of the economy, please see below a Proposal for an outline of policy framework in the field of Agriculture, prepared in spring 2012 under the guidance of Horst Reichenbach, Head of the Task Force for Greece. This outline of policy framework has been well accepted by the Ministry of Agriculture and it may now lead to the preparation of the abovementioned specific Strategic Plan for Agriculture and for the food industry in Greece.

In other words, the discrete but key role the TFGR should play would be the role of initiator and key driver in the joint work with the Greek Government and authorities with a view to preparing and implementing both the Strategic and specific Action Plans for Growth. On top of that, the apparent and certainly important role of the TFGR would be to offer assistance to the Greek Government and to all other actors involved, trying to respond in the best possible way to their needs when they implement their tasks included in the Action Plans. Assistance would be offered at all the stages of life of such Action Plans, ie both during their elaboration and their implementation phase.

On top of Agriculture, fisheries and the food industry, there are some key sectors for achieving sustainable development, where Greece has a comparative advantage not fully taped so far. Such business areas that need and deserve to have their specific Strategic Action Plan could include the following:

- Tourism, and in particular specialized cultural, religious, medical, ecological tourism, more evenly spread over the whole year and across the country.
- Renewable energy and smart energy grids better integrated in the EU system, as well a promising natural gas and oil industry for the medium and long term future.
- Shipping and combined transport, transit services.

- Manufacturing sectors including construction materials, pharmaceutical industry, specific minerals and metals, the construction industry, etc
- Information and telecommunication technology and services, as well developing the existing Innovation and excellence capacity across sectors
- Provision of quality services in finance, trade, consulting, etc.

We wish to clarify at this point that we are not proposing active sector policies by the public authorities, but we are proposing supporting smart specialisation of regions and economic actors in Greece for more added value. However, we should not limit the Strategic and the Specific Action Plans only to promising fields and sectors of the Greek economy.

Development can be sustainable and inclusive only if it is coupled with solid and modern institutions, and if progress and innovation are spread as much as possible geographically and socially across the country. We should make our Strategic Plan for Greece inclusive, encompassing action for social cohesion, for education, etc. Institution building, at national, regional and local level, at the level of individual Institutions, as well at the level of individual social partners, should also be among the key objectives of both the Strategic and the specific plans.

On top of its practical importance, the Greek Strategic Plan and its specific plans complementing it, shall have an added value as a particularly necessary tool for redressing people's phycology at the current crossroads for Greece and the EU. Such a tool is indispensable for improving the current negative psychology and spirit of Greek people, which is reflected in its turn to the image of the country worldwide and in the international markets.

In a nutshell, our analysis and proposal consists in combining the fiscal adjustment and the financial support offered to Greece with a wide and systematic support for investment, <u>institution building and last but not least for planning and delivering development policies at all levels.</u> The latter type of support to Greece would cost comparatively little money but it would contribute a lot of added value. Without such combination of fiscal consolidation with support for investment and capacity building, planning and delivering active development policies, the massive effort for the financial bailout of Greece by the EU and the IMF(which is so far focused on managing the sovereign debt and on structural reforms), risks to be much less efficient than the EU would expect.

Greek people are obliged to live an obscure present but they are also currently deprived of any reasonable hope and perspective for their future. We must propose convincing replies to these historic challenges for Greece and the EU, keeping in mind the lesson that history teaches us, ie that human societies can in the long term create thriving and sustainable economies only where investment, efficiency and innovation go in pair with stable and efficient institutions and economic and social cohesion.

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ANNEX
POLICY FRAMEWORK PROPOSAL FOR THE NEW GOVERNMENT
AGRICULTURE
JULY 2012

The new Greek government should take immediate action to tackle urgent or pending issues, with regard to the following three pillars of agricultural policy:

a) Compliance with EU Regulations and requirements and avoidance of financial corrections,

b) Timely and good preparation for implementing the new CAP for the period 2014-2020,

c) Enhancing the added value (ie contribution to GDP and Exports) and the sustainability, economic and environmental, of the agro- food sector and industry in Greece.

A. Compliance with EU legislation and avoidance of financial corrections

Issues

Greece has a historical negative record among the EU 27 regarding financial corrections linked to the CAP, both in absolute terms and as a % of the total direct and indirect payments to the country by the Commission. Some improvements in the last couple of years regarding the Greek Audit and Control Systems should be consolidated and further enhanced.

To achieve this immediate action is needed in three main fields:

1) Action for the renewal of the ortho images used for the Greek Land Parcel Identification System(LPIS),

2) Action to put in place an integrated system for recording, managing and controlling pasture land and its use for the next CAP 2014-2020, and last but not least

3) Action for an appropriate split of competences regarding audit and control between the Ministry if AGRI and OPEKEPE on one hand and the Regions and Municipalities on the other, also taking into account the KALLIKRATIS reform.

Ways Forward

1) Land Parcel Identification System (LPIS) and ortho images

Renewal of the ortho images forming the base for the Greek LPIS must be completed in a timely and well-structured way, in accordance with the letter of the Director General of DG AGRI Mr Silva Rodriquez to OPEKEPE, dated 27 April 20. The maximum of ortho images must have been renewed in early 2013. DG AGRI expects the submission of an Action Plan and timetable by the Greek Authorities in this respect.

2) Pasture Land

An integrated system for recording, managing and controlling the use of pasture land in Greece should be fully operational within the Ministry of Agriculture and OPEKEPE by the end of 2013. A close cooperation and coordination with the Ministry of Environment and the regions- municipalities is necessary. This point necessitates a particular attention and action on behalf of the new Government and the Ministry of Agriculture, since the amounts of direct payments at stake are enormous.

3) Central and regional-local competences on Audit and Control of expenditure under the CAP

The KALLIKRATIS reform foresees the transfer at regional or local-municipal level of some control competences regarding land parcels, pasture land, sanitary requirements linked to agriculture, cattle and aqua culture. Such transfer should take place in a timely, structured and efficient way.

However, any transfer of competences to the regions and municipalities should not affect the competences and the accountability of OPEKEPE in respect of expenditure under the CAP, vis a vis the Commission and the EU Court of Auditors. All the necessary administrative and regulatory measures (and if necessary the necessary legislative action) should be taken in the next few months to address this issue.

B. Timely preparation for implementing the new CAP

Issues

The new CAP will enter into force from the 1st of January 2014.Greece and all MS should prepare themselves in a timely and organised way for implementing the new CAP. New methods and systems must be prepared and introduced, at regional or national level, for harmonising direct payments to farmers, including arrangements for cross compliance with the new requirements for “greening” the direct payments. Greening shall include production methods and crop diversification, energy consumption, landscape preservation, etc, while cross compliance shall include on top of environment, also sanitary standards for plants and animals, animal welfare requirements, etc.

New regimes shall be introduced, for example for young farmers, small farmers, etc. The new regimes should be applied and the necessary preparatory work for this must be carried out by the Greek Authorities in a timely way.

Innovation and competitiveness are key pillars of the new CAP and MS must prepare themselves for an enhanced EU cooperation in these fields, through a European Partnership for Innovation. Farmers should be supported through an enhanced system of advisory services to better manage the enhanced requirements for innovation, greening and cross compliance, for better quality, productivity and competitiveness.

Another important issue is the collection of reliable data about the agricultural holdings and the agricultural revenue in Greece, in relation also to the Farm Accountancy Data Network (FADN) of the EU. On one hand OPEKEPE has available detailed and reliable data regarding about 800.000 farmers and agricultural holdings, but on the other hand Regions are not very keen in the last years to collect sufficient and reliable data on agricultural holdings and agricultural revenue.

Ways Forward

The new Government should prepare in the first month of its mandate an integrated Action Plan and schedule for the implementation of the new CAP in Greece. The implementation of the Action Plan should be monitored closely, and TA support through the TFGR should contribute to its successful and timely completion.

With regard to statistical data for agricultural holdings, possible ways forward would include taking stock of all the data already available by OPEKEPE for around 800.000 farmers, and building on that to develop efficient tools and methods for sampling, interviewing and enquiring farmers. Finally sufficient and reliable data on agricultural holdings and revenues should be prepared and made available, for example by ELSTAT or another qualified service or entity. Technical assistance coordinated by the TFGR on good practices in other Member States would also be helpful in this respect.

C. Enhancing the added value and the sustainability of the Agro-food sector

Issues

A series of legislative and administrative measures have been adopted in the last years with a view to enhancing the added value and the long term sustainability of the Greek Agricultural and Food processing sectors. Such measures include a new legislative framework and system for agricultural cooperatives, e trade, agro food partnerships of producers and SMEs at the level of Regions, a reform and reorganization of the services of the Ministry of Agriculture, a legislative package on pesticides, sanitary standards for cattle and poultry farms, cattle feeding free of GMO, new updated e registries for farmers and traders, etc.

However this important legislative and preparatory work still needs to be implemented on the ground, to produce results. This is currently the major and most difficult challenge, and the efforts of the new Government should focus on implementing these policy measures, both at central and regional level.

Ways forward

The new Government could establish in the first 100 days of its mandate an Action Plan and time table on the implementation on the ground, both at central and regional levels, of legislative and administrative measures already adopted with a view to boosting the added value and the long term sustainability of Agriculture and food industry in Greece.

The implementation of the Action Plan should be closely monitored, while any possible support through TA could be ensured by a concerted action of the TFGR and the Ministry of Agriculture.