

Greece 2019



Total: 64.5

Quick facts

Population:	10.741 million
Unemployment rate:	19.3 %
GDP:	218.230 billion \$
GDP growth rate:	1.9 %
GDP per capita:	29070 \$ PPP

Political Freedom

Free and Fair Elections : 9.64

Greece is a parliamentary democracy. Citizens are able to elect their representatives in a free and fair manner. During the period under review, citizens were able to do so on two occasions – first on the European parliamentary elections, which were held together with local and regional elections, and afterwards at snap Greek parliamentary elections, which happened due to loss of majority in parliament by Syriza, at that moment the main ruling party. Aftermath of EP elections brought 6 political parties to the European Parliament, with Syriza falling second, behind the New Democracy party (ND). That made Prime Minister Alexis Tsipras call snap elections, on July 7th 2019. Results showed similar voting tendencies, as ND defeated Syriza once again, scoring around 40% of the popular vote and allowing their candidate Kyriakos Mitsotakis to become new prime minister of Greece. Election turnout was around 58%. Voting is mandatory in Greece however sanctions for non-compliance are almost never imposed. Changes to the electoral code adopted by the parliament made these elections the first national ones where voting age was lowered to 17 years. However, even a bigger change of rules, i.e. the abolition of additional 50 seats in parliament given to the winner of plurality at the elections, which was adopted without necessary supermajority of 200 MPs, would take effect from the next parliamentary elections on. Current electoral system in Greece is specific, often debated and questioned in regard to accuracy of political representation. Designed in a way to favor the winning political party, “enhanced proportional representation” provides the winner of the elections with 50 bonus seats in the Greek unicameral parliament, itself consisting of the total of 300 MPs, thus facilitating the formation of single-party governments.

Absence of Unconstitutional Veto Players : 7.5

There are no unconstitutional veto players in Greece who are able to undermine decision making processes, leaving democratically elected officials to govern without interference. Greek Orthodox Church is not separated from the state as Greek Orthodoxy is recognized by the constitution as the state religion. However, Greek Orthodox Church operates on a fully state-controlled framework, thus its direct influence on political decisions in the country is very limited. Also, corruption among high ranking officials is also seen as potential undermining factor to democratic institutions. Greece is positioned on the 67th place in Transparency International 2018 Corruption Perception Index.

Freedom of Press : 7.09

Greece continues its progress on improving freedom of the press. Wide array of broadcast, print and online media outlets exist in the country, making media landscape pluralistic and diverse. Still, deep political polarization of society is reflected on the media, with many outlets leaning to report according to political and economic interests of their owners, making the media landscape deeply partisan. Environment of fear, on one side economic (of losing a job) and on the other side of physical and verbal threats they were facing, led some journalists to practice self-censorship. Quality of journalism, which drastically decreased in the years of crisis, is still recovering, with investigative journalism being rare. Journalists were on several occasions target of verbal and physical attacks. In December 2018 a bomb exploded next to Skai TV and Athens Voice in Athens, causing a big damage on the building, with offices of Athens Voice being completely destroyed. Parliament passed the bill changing defamation to be criminal offense only in very serious cases. Defamation charges were regularly brought against journalist, placing additional pressure on their reporting. Crisis of issuing licenses for national televisions, after the Council of State had ruled that this was constitutionally a task for the National Council for Radio and Television (NCRTV) and not for the Government, was successfully resolved during period under review. State-owned public radio and television broadcaster ERT was often accused of biased reporting, i.e. of supporting pro-government stance on many issues. Country is ranked on the 65th place of the Reporters Without Borders 2019 World Press Freedom Index, improving its position by 9 places.

Rule of Law

Independence of the Judiciary : 5.15

According to several latest Freedom House reports Freedom in the World, the judiciary in Greece is “largely independent”, though this is sometimes undermined by corruption. In August 2018, portal GAN estimated that two fifths of all corruption events in Greece occurred in judiciary, especially noting commercial cases as vulnerable. Judges are appointed by the President (ceremonial, elected by the Parliament), upon the advice of the Supreme Judicial Council (mainly consisted of other judges), and their tenure is to last until retirement. Besides corruption, other problems include backlog of cases, too long pre-trial detention and cases of physical abuse of detainees, particularly those from vulnerable groups (minorities, migrants, etc.).

Corruption : 4.5

During several recent years, corruption situation in Greece has been oscillating and very slowly improving. In the Transparency International's Corruption Perception Index, Greece scored 45/100 in 2018, which put it to the shared places 67-69/180, the second worst among EU member countries. The advance in absolute terms since early 2010s has to thank to several consecutive anti-corruption campaigns and attempts at liberal economic reforms, both having had been a must taken the country's debt crisis. Yet, in spite of government activities and domestic and foreign pressure for change, aside of judiciary, tax administration and public procurement remain as the worst corruption-hit parts of public life. Inequalities on the market and in society caused by corruption and/or tax evasion seriously harm social stability, especially taken the high taxes put on those who pay them and tough competition between those entrepreneurs who play by the rules. Meanwhile, notable anti-corruption proceedings included former defense minister, himself in custody since October 2018.

Protection of Human Rights : 7.04

Freedom of expression, especially in the academic field, is fairly well respected in Greece. Freedom of association and gathering is also facing very few limitations, with NGOs and trade unions enjoying full freedom. An exception to this trend is ethnic minorities, of which some even lack legal recognition. The country has become more secular. Privileges of the biggest religious community Greek Orthodox Church decreased. Application of Sharia laws in some parts of the country (stipulated by post-WW1 peace treaties) has been further limited. On the other hand, a few new opportunities were offered to religious minorities (such as the shortly expected official opening of a mosque in Athens for worship, for the first time in 180 years). Influx of new refugees to the islands has decreased since the EU-Turkey agreement went into effect. Their resettlement to mainland, however, is still in plans, while dozens of thousands still live in bad conditions on Chios, Lesbos, Samos, or other islands. Besides, Greece is an important transit point for human trafficking, fighting it with varying success. Military service is mandatory, whereby conscientious objectors face obstacles in access to alternative means of service. Hate-speech and hate-motivated attacks (such as against migrant workers) are not rare. Strong legal protection of LGBTs against discrimination and regulated same-sex unions (with their recently acquired right to serve as foster parents) have largely neutralized the anyway gradually decreasing homophobia in society, itself now fueled only by a few conservative political groups. Gender equality level has been lower than in much of the EU. In 2018, Greece ratified the Istanbul Convention against domestic violence or other discrimination of women.

Economic Freedom

Security of Property Rights : 5.47

Private property rights in Greece are mostly respected. However, there are many problems arising from the inefficient and slow judicial procedures, which in practice can restrict property rights. Judicial impartiality is not attested in public perception. Corruptive practices within judiciary are still present. The court system is extremely time-consuming, with contract enforcement lasting for more than 4.5 years on average. Effective enforcement of court decisions is also weak, due to slow procedures. Insolvency procedures are lengthy, being 3.5 years on average, leading to low recovery rates which approximate one third of claim, mostly through piecemeal sales. There are no specialized commercial courts, so commercial cases are presented before general courts. Obtaining real property in Greece is a complicated and expensive process, since there are multiple layers of authority that are involved in issuance and approval of land use and zoning permits, coupled with a high property transfer tax and notary and register fees. In certain areas, a prerequisite for obtaining real property is permission from the local council. There are restrictions on acquisition of land in border areas or on small islands, due to national security reasons. Comprehensive national land register is still under construction, with the aim of being finished by 2020, in order to increase transparency and security of real estate rights. Currently, many homes, especially outside the big cities, wait to be registered. Greece still keeps restrictions on foreign equity ownership in several industries, whose total number is more numerous than in other OECD countries, thus hindering investment and decreasing competition. This is mostly visible in the sectors of public utilities and energy, areas which the Greek government considers as being of strategic importance.

Size of Government: Expenditures, Taxes, and Enterprises : 4.12

General government expenditure in Greece reached almost 47% of GDP in 2018, with stable prospects. The economy pulled out of recession in 2017, with growth rates of 2% in 2018, also projected for 2019. Investments are slowly rising, but are still very low, nearing 13% of GDP. Unemployment remains very high, but it is slowly decreasing, and is expected to fall below 18% at the end of 2019, a significant reduction from the 2014 level of 26.5%. The economy remains significantly exposed to the bad situation in banks due to the large non-performing loans and other toxic assets. The very high level of public debt, of 185% in 2018, will pose significant problems on the long run, but the liquidity of public finances is currently assured and the fiscal program even exceeded its 2018 primary fiscal balance target of 3.5% of GDP. After the August 2018 termination of the European Stability Mechanism (ESM) program, the Greek government was able to borrow resources on international capital market, for the first time since 2014. The new government is faced with a significant policy retreat after the ESM program exit, when induced reforms were put on hold (fiscal area), or canceled (pension and tax reform package, labour regulation and broadening of the tax base). Although significantly reduced, public transfers remain very high. Pension expenditures are the highest in Europe, reaching the remarkable level of 17% of GDP, while government wage bill is also very high in international comparison. These areas remain to be properly addressed, including the scrapping of the newly introduced pension bonus. State-owned

enterprises (SOE) are still present in the country, especially in industries considered to be of strategic importance, such as utilities, transportation, energy and defense. Most of them are under supervision of the HCAP (Hellenic Corporation for Assets and Participations), an independent holding company for state assets, whose board is independent from the state, since it was partially elected by the international creditors, while some remain supervised by the Finance Ministry. As a part of the financial assistance package, a thorough privatization program was designed in 2015, but its implementation lagged in practice. The most important recent privatizations were the railway company Trainose, the Thessaloniki port, railroad services company Rosco, the gas transmission company DECSFA and the residual of government equity in OTE Telecommunication Company. Also, the government extended the Athens airports concession agreement, and it also plans to privatize 10 regional ports and marinas across the country. The plans to fully privatize the Public Power Corporation (DEI) have been recently cancelled, but the restructuring plan envisages minority equity privatization of some of its assets. The new government also plans to continue with the privatization of the energy companies, such as the DEPA (natural gas) and HELPE (petroleum). High government consumption requires high tax rates: personal income tax is progressive, with rates of 22%, 32% and 45%, and there is a special solidarity tax on income, also progressive, ranging from 2.2% to 10%. High social security contributions included, this leads to the overall high labour tax wedge, reaching 40% of the total labour costs on the average wage, which is above the OECD average. The corporate tax rate was incrementally lowered from 29% in 2018 to 28% in 2019, with medium term plan to reduce it further to 25% in 2022. The standard VAT rate is set at 24%, with two preferential rates of 6% and 13%, with a special case of some Greek border islands where the VAT rates were lower by 30% until July 2019. The plan of changes in the fiscal mix, by decreasing direct taxes while increasing at the same time the tax compliance, especially on VAT, is a pro-growth move, but it remains to be seen if this would be effective enough to offset the fall in tax receipts.

Regulation of Credit, Labour, and Business : 5.89

Regulatory environment in Greece is not overall business-friendly. The pressure of the international creditors facilitated some deep reforms which made the business environment in the country more conducive to entrepreneurial activities through abolishing licenses and quasi-monopolies, streamlining business procedures and simplifying legal framework, but the actual impact of these reforms is yet to be discerned. Corruption and burdensome bureaucracy remain weak spots of the business environment, while formal and non-formal impediments decrease the level of competition in many industries. These are cases of competing regulations stemming from different sources, creating a level of business uncertainty. Professional services, such as pharmacists, lawyers, notaries etc. are highly regulated, with high barriers to entry such as quotas or similar vehicles. On the other hand, starting a new business is easy and inexpensive, done within a couple of days and with no minimum paid-in capital. A unified social security institution was created, in order to make registration of new companies an easier task. Obtaining a construction permit lasts 6 months on average, while getting electricity requires significant costs due to the high fees of the public utility company. Tax procedures are also considered as burdensome: although the number of annual payments is low. Labour regulation has many built-in inflexible areas: fixed term contracts are prohibited for permanent tasks and restricted to just 36 months, while severance payments increase with the years in tenure, protecting more seasoned workers. Minimum wage is still relatively high as compared to the median wage, and has recently been increased in January by 10%, since it has been flat since 2012. There is also a lower minimum wage (84% of the national one) for young workers below the age of 25. Centralized collective bargaining is dominant in the public sector, while in private sector it is present only in

industries with a strong history of trade unions. The new government plans some labour regulation changes which would introduce an opt-out mechanism for collective bargaining, making them less burdensome for companies not included in the process, but also to lift new restrictions on dismissals. These restrictions are placed on mass dismissals in companies employing more than 20 workers. If the number of dismissals exceeds the set limit, they need government authorization and consultation through the supreme labour council. Since September 2017, the law prescribes temporary closure of businesses in cases where employers repeatedly violate the law concerning undeclared work or safety, and employers are obliged to declare in advance overtime work or changes in their work schedules.

Freedom to Trade Internationally : 8.1

Freedom to trade in Greece is generally respected. As an EU member state, Greece implements the common EU trade policy, with overall low trade tariffs: the Most Favoured Nation tariff rate on manufactured goods stands at 5.1%, but those on most agriculture products face substantially higher tariffs. On the other hand, non-tariff obstacles to trade remain present mostly due to the complicated process of product standardization. Customs service is not well organized, with expensive or slow procedures which further hinder trade. High freight costs are partially attributed to the deteriorating public transport infrastructure, due to the underinvestment of resources for its maintenance and resolving of transport bottlenecks. The quality of railroad infrastructure is particularly low, while roads and ports are in better shape, some of them being privatized. Main Greek trade partners are other EU member countries, most notably Italy, Germany and Bulgaria, followed by non-EU countries such as Russia and Turkey. The most restrictive capital controls on the capital outflow from the country, that were set up in June 2015 during the negotiation process with the "Troika", were waived or at least eased after the agreement with the European Stability Mechanism (ESM). Most of capital controls on cash withdrawals were lifted in October 2018, while the ceiling for withdrawals from banks abroad and transfer from Greece to abroad were increased from 3 000 to 5 000 euro per month, and from 3 000 to 10 000 euro, respectively. However, the daily limit for commercial payments abroad remains at 250 000 euros. Working permits for non-EU nationals are generally difficult to obtain, although recent legislation somewhat eased the position of non-EU immigrant workers, lowering the number of residence years necessary to obtain a residence permit. The "golden visa" program, which allows foreign nationals that buy property above a certain value threshold (250 000 euros) or Greek national debt bonds in order to obtain a five year residency permit, was recently changed in March 2019. These changes increased the eligibility for this program by including investors that would invest more than 400 000 euros in Greek companies.