GREECE

The OECD Regional Outlook reviews recent trends, policy developments, and prospects across OECD regions, including the underlying causes driving regional inequalities in performance and well-being. The report offers evidence, guidance and policy recommendations on how to improve competitiveness and productivity, promote inclusive growth, accelerate the net-zero transition and raise well-being standards through effective regional development policy and multi-level governance.

Territorial definitions

The data in this note reflect different sub-national geographic levels in OECD countries. In particular, **regions** are classified on two territorial levels reflecting the administrative organisation of countries: large regions (TL2) and small regions (TL3). In Canada, TL2 corresponds to the provinces and territories.

Small regions are classified according to their access to metropolitan areas (Fadic et al. 2019). The typology classifies small (TL3) regions into metropolitan and non-metropolitan regions according to the following criteria:

- **Metropolitan regions**, if more than half of the population live in a FUA. Metropolitan regions are further classified into **metropolitan large**, if more than half of the population live in a (large) FUA of at least 1.5 million inhabitants; and **metropolitan midsize**, if more than half of the population live in a (midsize) FUA of at 250 000 to 1.5 million inhabitants.
- **Non-metropolitan regions**, if less than half of the population live in a midsize/large FUA. These regions are further classified according to their level of access to FUAs of different sizes: **near a midsize/large FUA** if more than half of the population live within a 60-minute drive from a midsize/large FUA (of more than 250 000 inhabitants) or if the TL3 region contains more than 80% of the area of a midsize/large FUA; **near a small FUA** if the region does not have access to a midsize/large FUA and at least half of its population have access to a small FUA (i.e. between 50 000 and 250 000 inhabitants) within a 60-minute drive, or contains 80% of the area of a small FUA; and **remote**, otherwise.

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Overview

Population *(specify date)* and territory	9.716.889 legal (Dec 2022) 10.482.487(permanent)(as of 17 March 2023)- 131.957 km²
Administrative structure *(unitary/federal)*	Unitary
Regional or state-level governments *(number)*	13 regions
Intermediate-level governments *(number)*	7 Decentralized State Administrations (Ministry of Interior)
Municipal-level governments *(number)*	332 Municipalities
Share of subnational government in total expenditure/revenues (2021)	6.9% of total expenditure 7.7% of total revenues [Source: Subnational governments in OECD countries: key data, 2023 edition]
Key regional development challenges	Twin (green and digital) transition; social inclusion; demographic change; economic disparities; territorial development and insularity
Objectives of regional policy	Reducing the regional disparities, economic growth, social inclusion
Legal/institutional framework for regional policy	Greek Constitution, Kallikratis law, Klisthenis Law
Budget allocated to regional development (i.e., amount) and fiscal equalisation mechanisms between jurisdictions (if any)	Partnership Agreement 2021-2027 approved by EU on 29th July 2021 consists of 26,2 billion (20,9 EU funds ERDF, ESF+, JTF, CF, EMFAF) and 5,3 national co financing The total amount of PA 2021-2027 26,2 billion euro of Public Expenditure (20,9 billion euro EU Contribution and 5,3 billion euro National Contribution) breaks down as follows: 13,6 billion European Regional Development Fund - ERDF 7 billion European Social Fund Plus - ESF + 3,5 billion Cohesion Fund - CF 0,47 billion European Maritime, Fisheries and Aquaculture Fund - EMFAF and 1,6 billion Just Transition Fund – JTF Out of the 26,2 billion euro, 8,07 billion euro of Public Expenditure are allocated to Regional Programs (6,01 billion co financed by ERDF and 2,06 billion co financed by ESF+)
National regional development policy framework	The Partnership Agreement for Greece covers 13 regional and 9 national Sectoral programmes. The document is entirely in line with the National Growth Strategy, is complementary to the goals and targets of the Recovery and Resilience Programme and is consistent with the European Regulations and the National Sectoral Strategies with its development goal as follows: «Contribution to the regeneration of the Greek economy by restructuring and upgrading the productive and social fabric of the country and by creating and maintaining sustainable jobs through the outward-looking, innovative and competitive entrepreneurship and the support of the social cohesion and the principles of sustainable development».
Urban policy framework	Greece has not urban policy framework. The development planning is based on national and regional spatial planning. Specific objective 5.i of Policy Objective 5 of PA 2021-2027 "Fostering the Integrated and Inclusive social, economic and environmental development, culture, natural heritage, sustainable tourism and security in urban areas. European smart cities initiative.
Rural policy framework	CAP Strategic Plan 2023-2027 (Ministry for Rural Development). European smart villages initiative.
Major regional policy tools (e.g., funds, plans, policy initiatives, institutional agreements, etc.)	European Funds and co-financing European Regional and Development Fund (ERDF) Cohesion Fund (CF) European Social Fund plus (ESF+)

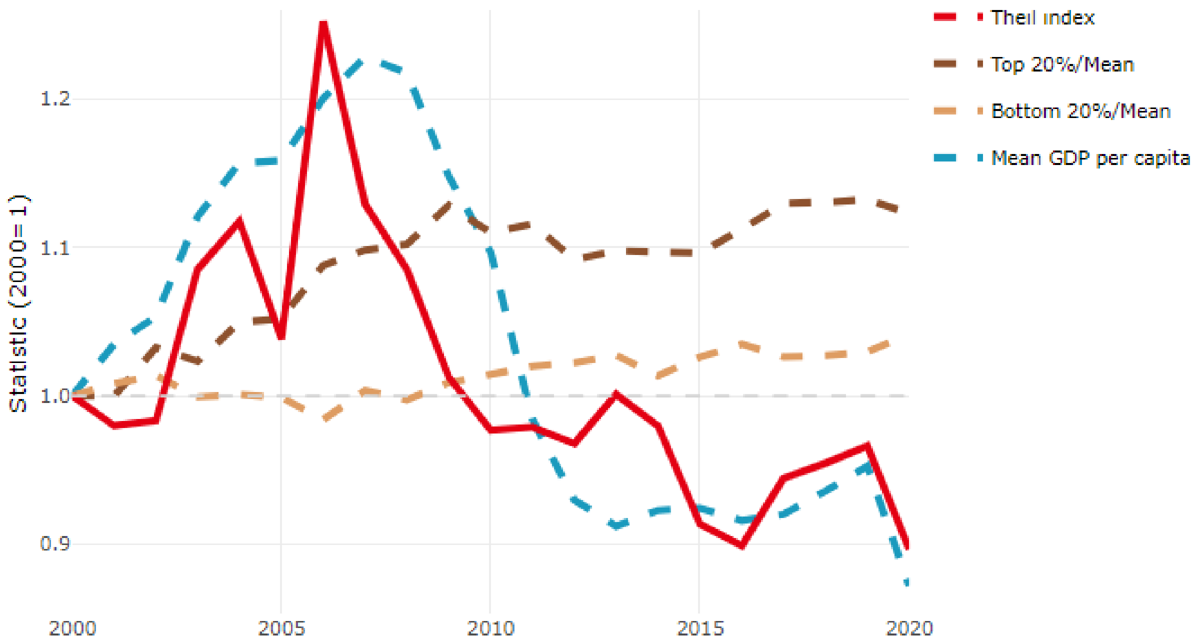
	Just Transition Fund (JTF) European Maritime Fisheries and Aquaculture Fund (EMFAF) Regional State Aid General Directorate for Private Investment Spatial Regional/ Local Plans National Strategies for RIS, Active Labour, Social inclusion and poverty reduction, Digitalization, environment, energy, civil protection, tourism, etc.
Policy co-ordination tools at national level	Council for Monitoring and Coordination of PA National Coordination Authority – General directorate for Strategy, planning and Implementation – General Directorate for Legal and Operational Support Integrated Information System for PA 2021-2027 Integrated Information System for Programme of public Investment (e-pde) Integrated Information System for State Aid Integrated Information System for De Minimis Aid
Multi-level governance mechanisms between national and subnational levels (e.g., institutional agreements, Committees, etc.)	Council for Monitoring and Coordination of PA Institutional Agreements and framework assignments
Policy co-ordination tools at regional level	National Coordination Authority (NCA) – Special Service for the Coordination of Regional Programmes
Evaluation and monitoring tools	The implementation of the projects financed by the PA is monitored through a system of indicators, which includes output and result indicators The output and result indicators are monitored through the Monitoring Information System (MIS) For the monitoring of the indicators, identified procedures are followed, which are included in the Management and Control System of the PA The indicator targets of the selected projects and their achievements are transmitted to the E.C. per semester (June and December of each year). For each indicator, an Indicator Fiche is formed which includes the definition and information that helps the targeting and measurement of the indicator, the name, the unit of measurement, the time of measurement in relation to the completion of the project, etc.
Future orientations of regional policy	The PA 2021-2027 priorities for the strengthening of the production potential of the economy, the infrastructure, the human skills and the increasing of social protection are: Increase of investments and exports as a percentage of GDP Promotion of sustainable employment Invest in education and knowledge Increase of the size of the Greek enterprises Promotion of the state-of-the-art technology, innovation and digitalisation Achievement of ambitious environmental objectives Support to the vulnerable households Pursuing and intensifying digital reform in the public sector Modernisation of all levels of education Restructure of the health system Energy upgrading of the buildings Shift to renewable energy sources with mitigation of the transition cost Promotion of the Sustainable Blue Economy Support of local communities during the transition from lignite-based energy and economy Promotion of the place-based, sustainable, and integrated development of urban areas and communities Support to territories with specific characteristics (mountainous and insular areas).

Regional Inequality Trends

Greece experienced a decline in the Theil index of GDP per capita over 2000-2020. Inequality reached its maximum in 2006. The figures are normalized, with values in the year 2000 set to 1.

The Top 20%/Mean ratio was 0.123 higher in 2020 compared to 2000, indicating increased polarisation. The Bottom 20%/Mean ratio was 0.042 higher in the same period, indicating bottom convergence.

Figure 1. Trends in GDP per capita inequality indicators, TL3 OECD regions



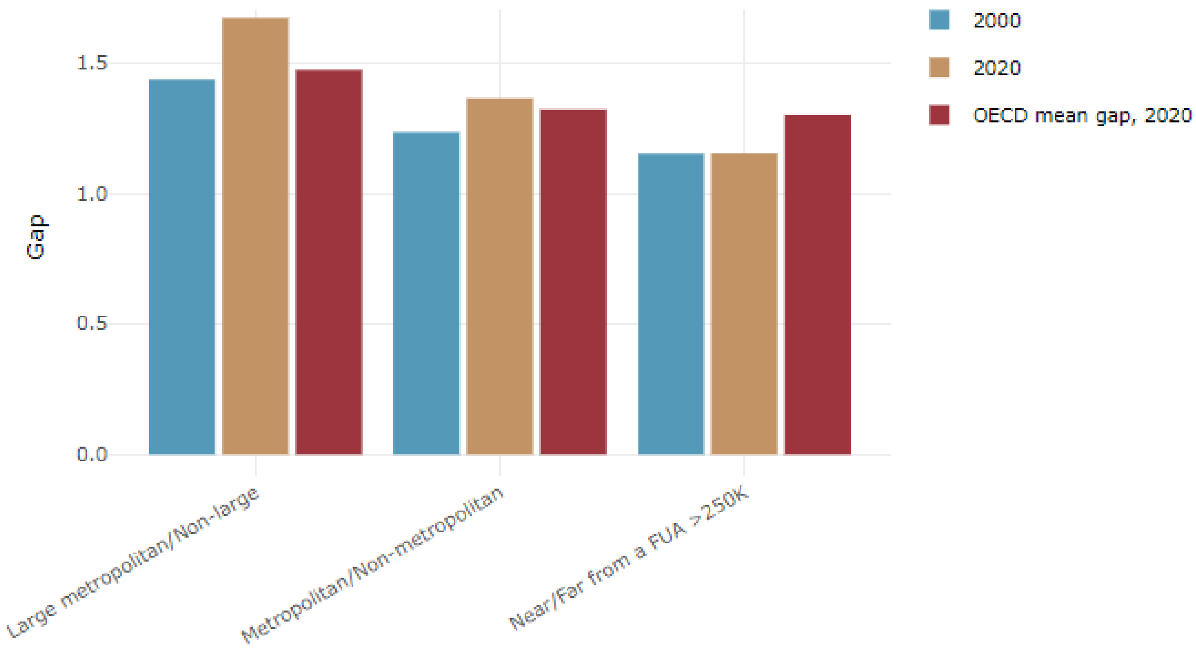
Note: Top/bottom calculated as population equivalent (top/bottom regions with at least 20% of the population). The interpretation of top/bottom 20% GDP per capita is that 20% of the population in the country holds 20% of the value. Top 20%/Mean calculated as mean GDP per capita in top 20% regions over mean TL3 GDP per capita in a given year. Bottom 20%/Mean calculated as mean TL3 GDP per capita in bottom 20% regions over mean TL3 GDP per capita in a given year. To improve data consistency, input series are aggregated when TL3 regions are part of the same FUA. To improve time series, TL3 missing values have been estimated based on the evolution at higher geographic level.
Source: OECD Regional Database (2022).

In 2020, the gap in GDP per capita between large metropolitan and non-large metropolitan regions was 1.676. For reference, the same value for OECD was 1.475. This gap increased by 0.237 percentage points between 2000 and 2020.

Meanwhile, in 2020, the gap in GDP per capita between metropolitan and non-metropolitan regions was 1.367. For reference, the same value for OECD was 1.325. This gap increased by 0.131 percentage points since 2000.

In turn, the gap in GDP per capita between regions near and far a Functional Urban Area (FUA) of more than 250 thousand inhabitants was 1.155 in 2020 and increased by 0.001 percentage points since 2000.

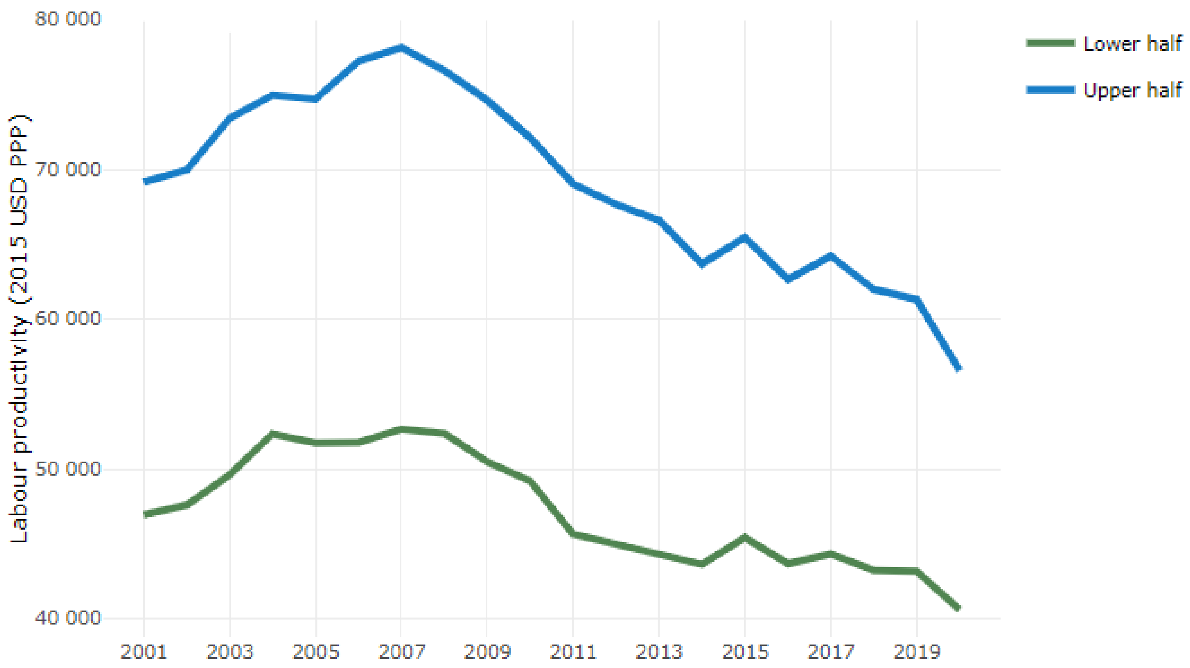
Figure 2. GDP per capita gap by type of region compared to the OECD average



Note: Far from a FUA>250K includes regions near/with a small FUA and remote regions. OECD mean gap based on 1 586 TL3 regions in 27 countries with available data (no TL3 data for Australia, Canada, Chile, Colombia, Costa Rica, Iceland, Ireland, Israel, Mexico, Luxembourg and Switzerland).
Source: OECD Regional Database (2022).

In Greece, the gap between the upper and the lower half of regions in terms of labour productivity decreased between 2001 and 2019. Over this period labour productivity in the upper half of regions declined roughly by 11%, while it declined only by 8% in the lower half of regions. During 2020, the gap continued to narrow. Nevertheless, more years of data are necessary to determine the long-term impact of the COVID-19 pandemic on labour productivity gaps in regions.

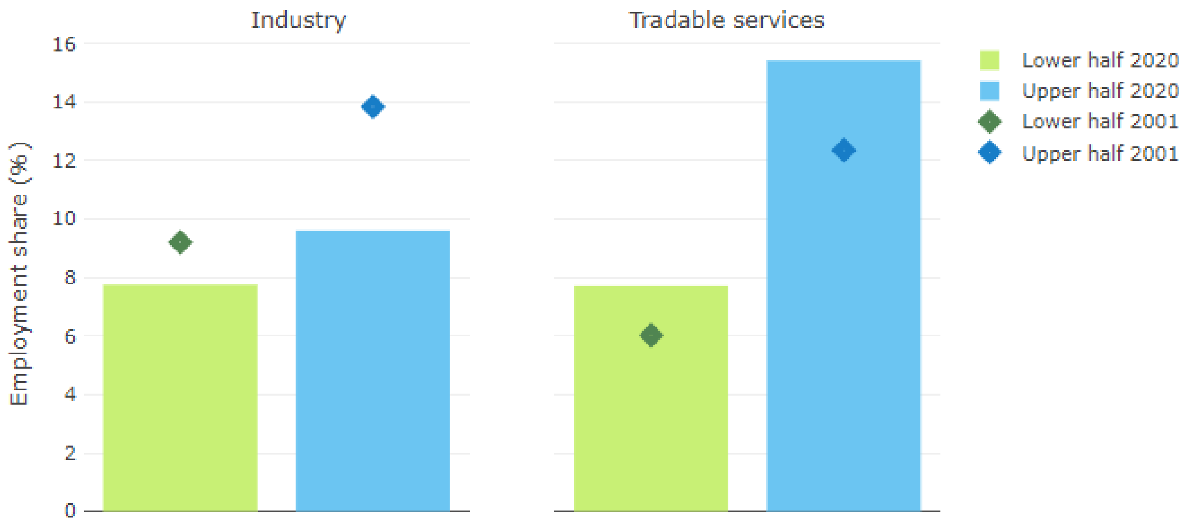
Figure 3. Evolution of labour productivity, TL3 OECD regions



Note: A region is in the "upper half" if labour productivity was above the country median in the first year with available data and "lower half" if productivity was below the country median. Labour productivity in each group is equal to the sum of Gross Value Added, expressed in USD at constant prices and PPP (base year 2015) within the group, divided by the sum of total employment in regions within the group. Regions are small (TL3) regions, except for Australia, Canada, Chile, Colombia, Ireland, Mexico, Norway, Switzerland, Türkiye and the United States where they are large (TL2) regions due to data availability.
Source: OECD Regional Database (2022).

Regions where the economic activity shifts towards tradable activities, such as industry and tradable services, tend to grow faster in terms of labour productivity. In Greece, between 2001 and 2020, the share of workers in the industrial sector went down in all regions but more so in regions that used to be in the upper half of the labour productivity distribution. At the same time, the share of workers in the tradable services sector went up in all regions but more so in regions that were already in the upper half of the labour productivity distribution. Hence, the evolution of employment shares in the tradable services sector widened the labour productivity gap between regions while the opposite was true for the industrial sector.

Figure 4. Share of workers in most productive (tradable) sectors, TL3 OECD regions



Note: A region is in the "upper half" if labour productivity was above the country median in the first year with available data and "lower half" if productivity was below the country median. The share of workers in a given sector for a group of regions is defined as the sum of employment in that sector within the group divided by the sum of total employment within the group. Regions are small (TL3) regions, except for Australia, Canada, Chile, Ireland, Mexico, Norway, Switzerland, Türkiye and the United States where they are large (TL2) regions due to data availability. Industry includes the following tradable goods sectors: Mining and quarrying (B), Manufacturing (C), Electricity, gas, steam and air conditioning supply (D) and Water supply; sewerage; waste management and remediation activities (E) NACE macro sectors. Tradable services include Information and communication (J), Financial and insurance activities (K), Real estate activities (L), Professional, scientific and technical activities (M), Administrative and support service activities (N).
Source: OECD Regional Database (2022).

Recent policy developments

For Greece, the main financial Instruments are the Partnership Agreement 2021-2027 (PA) and the Recovery and Resilience Facility (RRF).

The Partnership Agreement between the EU Commission and Greece, adopted in June 2021, sets out the investment priorities for the period 2021-2027 in order to contribute to the regeneration of the Greek economy by restructuring and upgrading the productive and social fabric of the country and by creating and maintaining sustainable jobs through the outward-looking, innovative and competitive entrepreneurship and the support of the social cohesion and the principles of sustainable development. Over €26billion of EU funds and national co financing sustain the green and digital transition, while supporting the most fragile and vulnerable groups.

The Partnership Agreement is entirely in line with the National Growth Strategy, is complementary to the goals and targets of the Recovery and Resilience Programme and is consistent with the European Regulations and the National Sectoral Strategies. For the finalisation of the text, there was a broad consultation with stakeholders of all levels of governance and social partners, and subsequently it was submitted to EU.

With regard to the EU Recovery and Resilience Facility (RRF), 4 are its directions:

- Increase of domestic productive base of the country
- Decrease of social disparities,
- Integrated public policies and
- Empower of the multilevel governance.

Greece's RRF counts to an amount of 30,5 billion euros and consists of two strands the first being grants for an amount of 17,8 billion and the rest for loans and guarantees. A percentage of 38% of the loan strand addresses to the industrial sector.