

“Business Pulse”

Measuring business friendly regulatory environment in Greece

“A customer satisfaction survey”

October 2018

A survey by:



Introduction

SEV Observatory, with the support of MRB Hellas, conducts an annual survey entitled "**Business Pulse**".

The survey is **addressed exclusively to business entities** and its main focus is to assess the quality and business friendliness of regulatory environment in Greece.

The **objectives of the survey** are:

- ✓ To systematically monitor and assess **investment barriers** (both within the macro and the micro environment),
- ✓ To identify **feasible** and **realistic solutions** for a business friendly investment environment,
- ✓ To evaluate the **quality of services provided by public administration** to companies (satisfaction survey) and
- ✓ To assess the **impact of recent reforms** aiming the improvement of business environment

Our aspiration is to make this annual survey a **reliable and influential tool** for both public administration and companies, while aiming to achieve a business-friendly environment for all.

Do note that as this year's survey coincided with the completion of the 3rd Economic Adjustment Programme for Greece, emphasis was given to the **identification of government priorities for the post memorandum era**, so as to achieve a strong recovery of the economy.

Survey's objectives

1



2 α



2 β

3



4

Quality in the Public Sector

Main findings



Obstacles to
business
operation

Macro
environment
and
Micro
environment

- The Indexes of both Macro and Micro Difficulties, still, remain below the threshold.
- High tax rates (77.3%), the rise of corruption (5 percentage points compared to 2017 to 45.1%) and political uncertainty for the post memorandum era (43.3%) are identified as the main obstacles that hinder the macro business environment.
- Already well-known “pain points” of the micro business environment remain unsolved.
- Unstable tax system (64.9%), overregulation and unclear legal framework (46.8%), ineffective justice system (45.7%), difficulty accessing finance (44.7%), lack of financial tools and investment incentives (41.2%) and high energy costs (34.5%) constitute a rather “burdensome” environment for doing business.
- Different obstacles affect day-to-day operation of companies, based on size and location. The burden is greater for small and medium size companies.

Reform
assessment

- One in two companies does not see any positive impact in their day-to-day operation from the reforms made.
- The reforms plan was not coherent. Many reforms were designed under time pressure and/or lacking direct involvement of those effected. Many other reforms were not implemented in practice as planned; others were only partially implemented, i.e. without additional legislative interventions and public administration support, which would enable the positive effects on the market to be fully demonstrated.
- Business friendly reforms should prevail; though a better planning is needed and real and effective consultation with the business community are essential prerequisites.

Quality of services provided by public administration to companies (customer satisfaction survey)

- The Business Customers Satisfaction Index rose from 4.8 in 2017 to 6.1/10 and the Transparency Index from 4.5 to 5.9/10.
- However, to a large extent, it is a common belief that public administration prevents, rather than facilitates entrepreneurial activity. The evaluation of crucial - for business operation - public entities, such as Ministries, Courts, Regulatory Authorities, Urban Planning and Cadastral Survey Offices, causes great concern, as it remains in single-digit numbers.
- E-governance has an immediate positive impact on customer satisfaction. Public bodies/services with digital immaturity receive low scores in both satisfaction and transparency.
- Digitalization is a key success factor for upgrading public sector services offered to companies, via minimizing direct contact of civil servants and businesses, saving time, reducing errors and enhancing transparency.

**Business
environment
and the road
ahead**

- Seven out of 10 entrepreneurs are unhappy with their company's financial situation and four out of 10 believe that the economy will recover after at least 4 years, or never.
- Companies believe that government priorities for the post memorandum era should focus on: a) reduction of tax rates (85%) and b) attracting investments, so as to achieve a strong recovery of the economy.
- Companies highlight feasible and realistic solutions for tackling the day-to-day operation difficulties in the micro environment and creating a friendly business environment, such as:
 - ✓ Gradual reduction of tax rates for physical and legal entities
 - ✓ Lifting capital controls
 - ✓ Solving all issues related to the non-performing loans
 - ✓ Combating undeclared labour and creating incentives to law-abiding businesses
 - ✓ Reduction of the non-wage cost of labour (social security contributions and income tax)
 - ✓ Acceleration of the procedures of inclusion and payment in full under the EU Partnership Agreements and Development laws
 - ✓ Establishment of land uses for the whole of Greece, in 2 years from now
 - ✓ Contributory and competitive fees for electricity and natural gas transmission and distribution
 - ✓ Creation of a one-stop-shop for investment licensing
 - ✓ Implementation of obligatory codification of legislation that affects the operation of businesses
 - ✓ Completion and application of e-Justice and interconnection with the IT systems of other involved parties (e.g. GEMI, Taxis, Ergani)
 - ✓ Full digitalization of pre-customs and customs procedures

The survey

Methodology:

CATI=530

WEB=150



Survey's sample

**Sample size:
680 companies**



How:

Survey via CATI and CAWI for companies operating in Greece
Representative sample in terms of: **1. Sector, 2. Size (employees) and 3. Headquarters location**

- ✓ Random stratified sampling
- ✓ Weighting based on Hellenic Statistical Authority data
- ✓ Using ICAP's business database

Who:

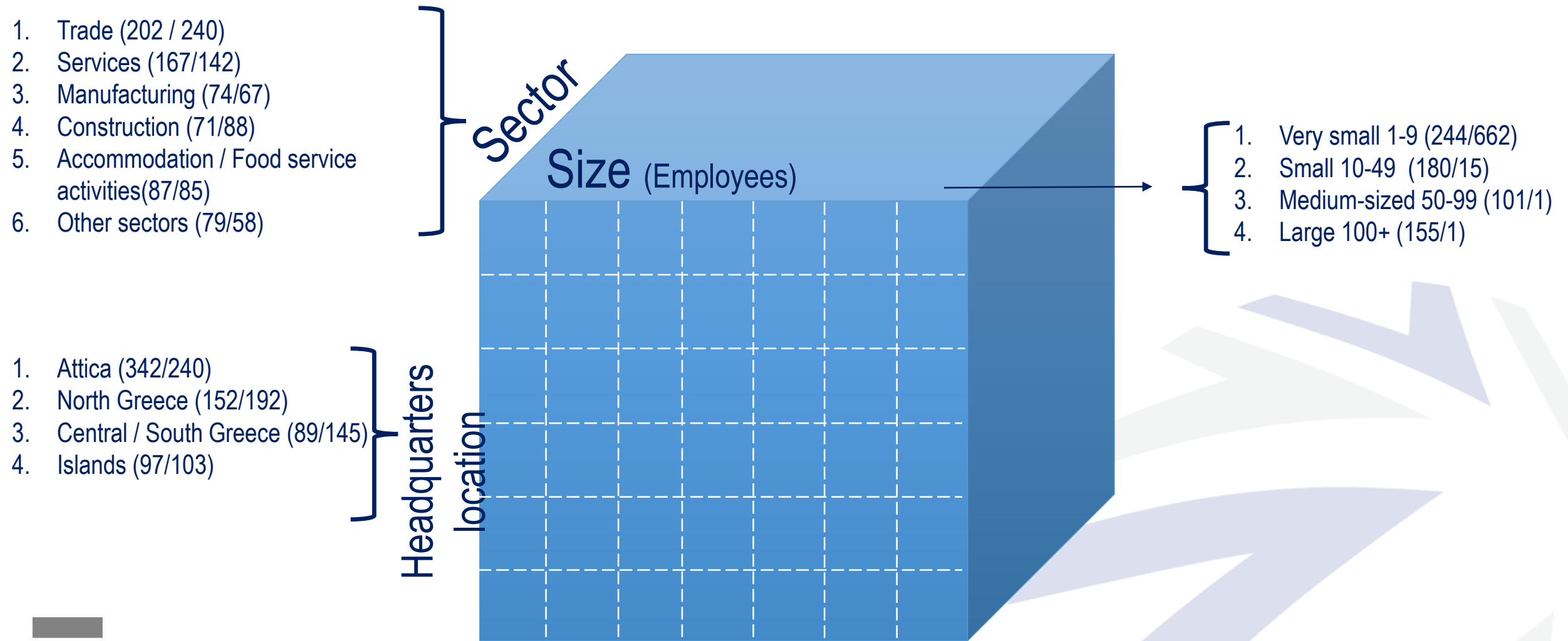
C-level business executives



When:

April-May 2018

(in brackets unweighted / weighted breakdown by sector, headquarters' location and size)

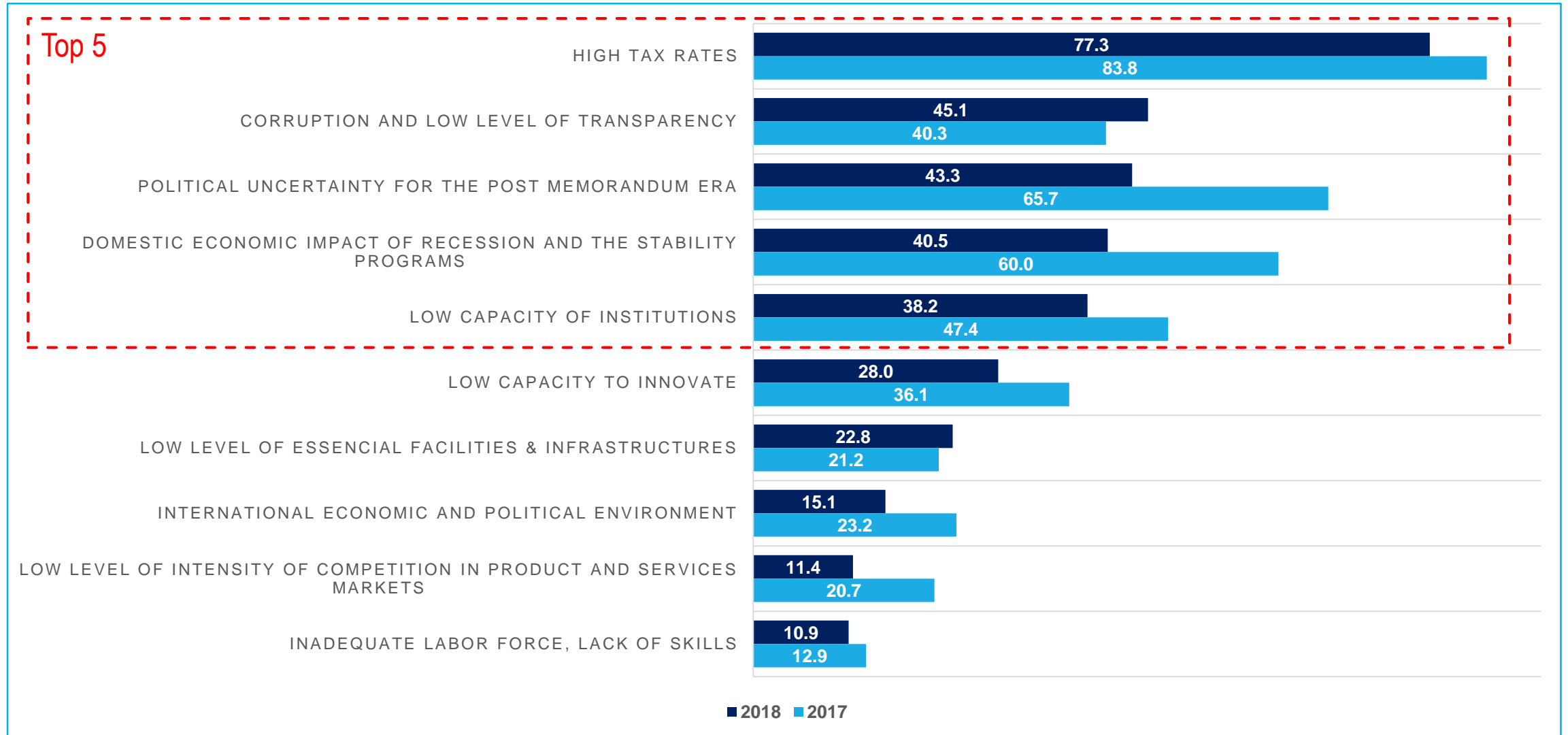


Macro environment business obstacles



EVALUATION OF OBSTACLES TO BUSINESS OPERATION - **MACRO ENVIRONMENT** - TOP BOX

Thinking of your own company, please evaluate all the following categories of obstacles to business operation on a scale from 1 to 5, where 1 = NO DIFFICULTY and 5 = EXTREME DIFFICULTY.



INDEX OF **MACRO ENVIRONMENT** DIFFICULTIES TO BUSINESS OPERATION

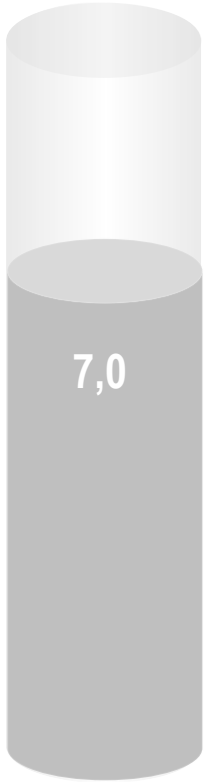
NO DIFFICULTY

1 → 10

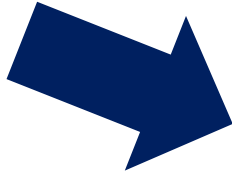
EXTREME DIFFICULTY

Index of
Macro
Difficulties

2017



Marginal improvement



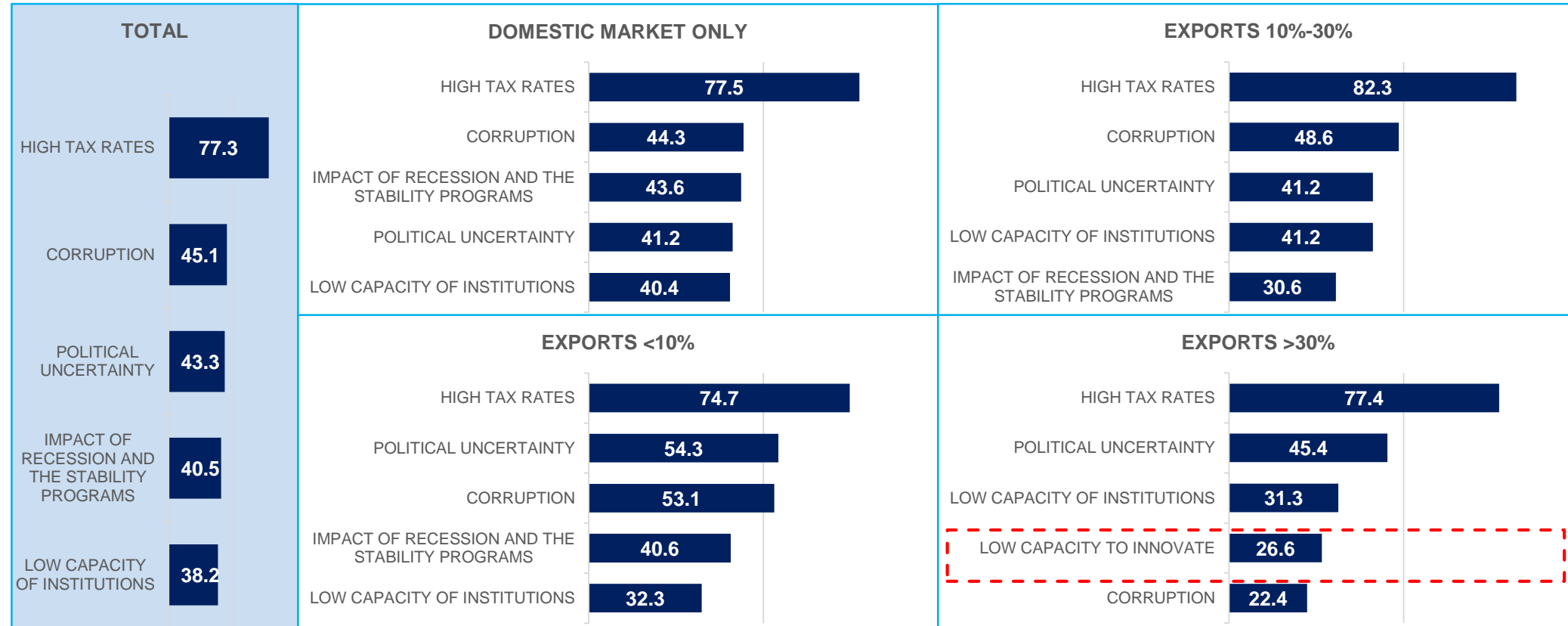
2018



EVALUATION OF OBSTACLES TO BUSINESS OPERATION - **MACRO ENVIRONMENT** - EXPORTS

Top-5 obstacles to business operation at a macro environment level; analysis based on the **export orientation** of companies (% of turnover).

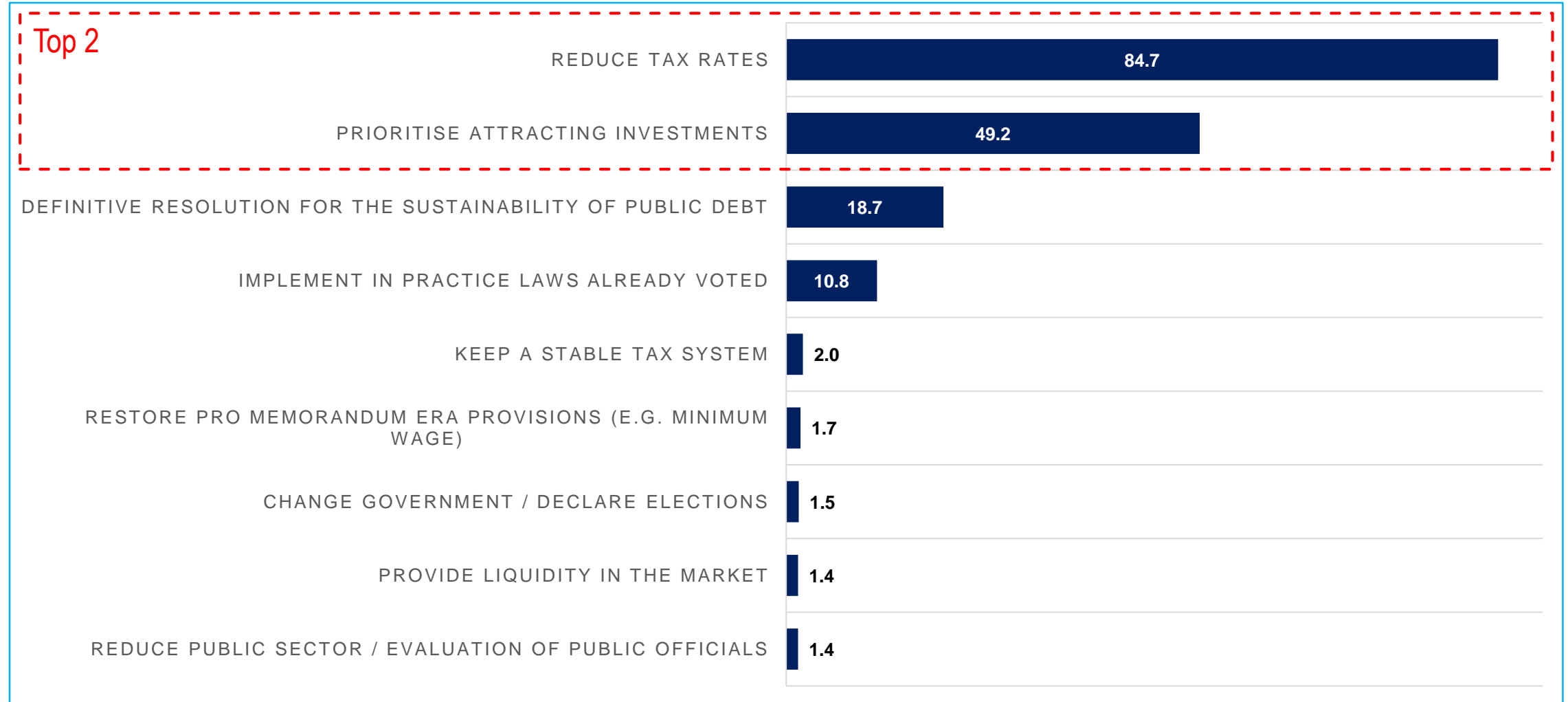
Scale from 1 to 5, where 1 = NO DIFFICULTY and 5 = EXTREME DIFFICULTY
Percentages (%) of answer "Extreme difficulty"



SOLUTIONS FOR THE MACRO ENVIRONMENT

With the completion of the 3rd Economic Adjustment Programme for Greece, which priorities should the government have, in order to achieve a strong recovery of the economy?

Percentages (%)

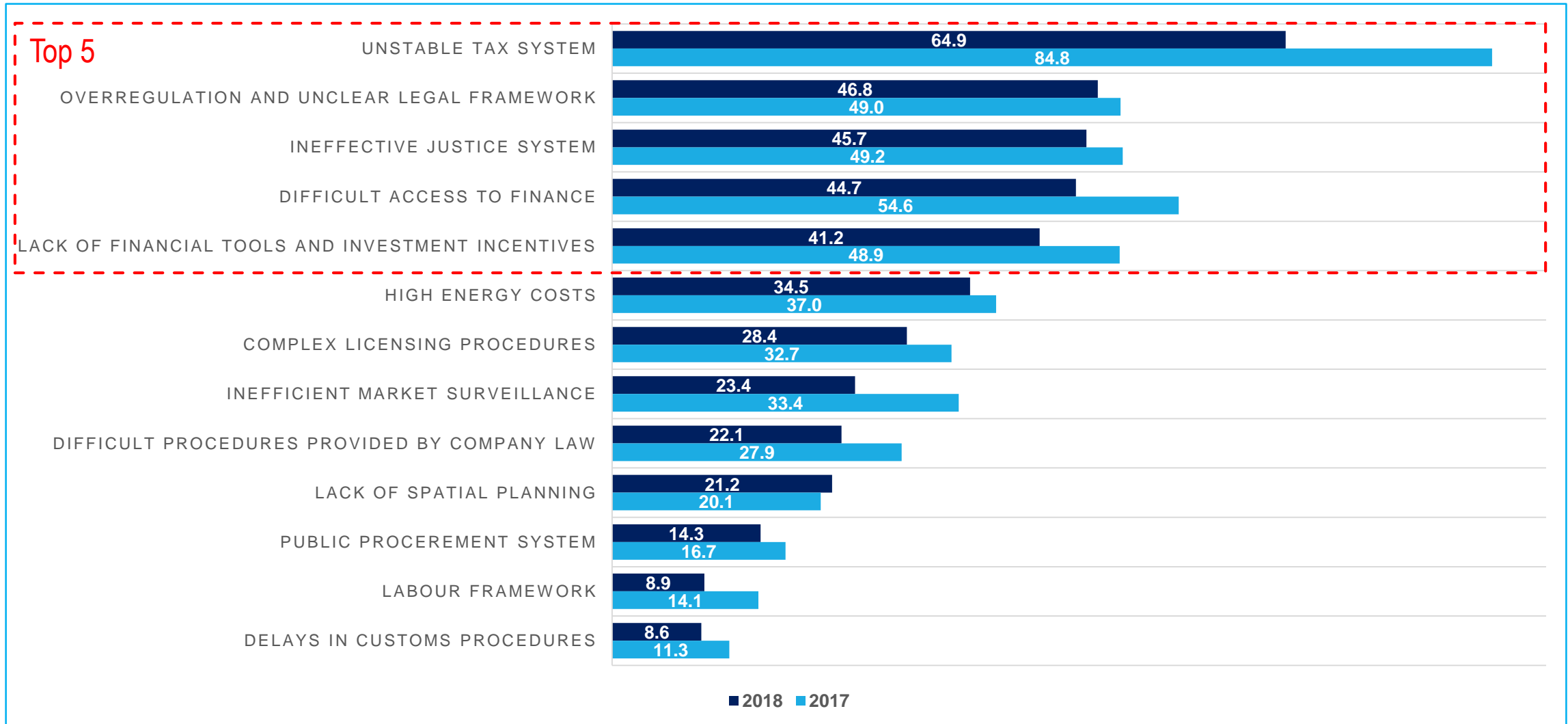


Top 2

“Micro environment” business obstacles/barriers

EVALUATION OF OBSTACLES TO BUSINESS OPERATION - MICRO ENVIRONMENT - TOP BOX

Thinking of your own company, please evaluate all the following categories of obstacles to business operation on a scale from 1 to 5, where 1 = NO DIFFICULTY and 5 = EXTREME DIFFICULTY.



INDEX OF MICRO ENVIRONMENT DIFFICULTIES TO BUSINESS OPERATION

NO DIFFICULTY

1 → 10

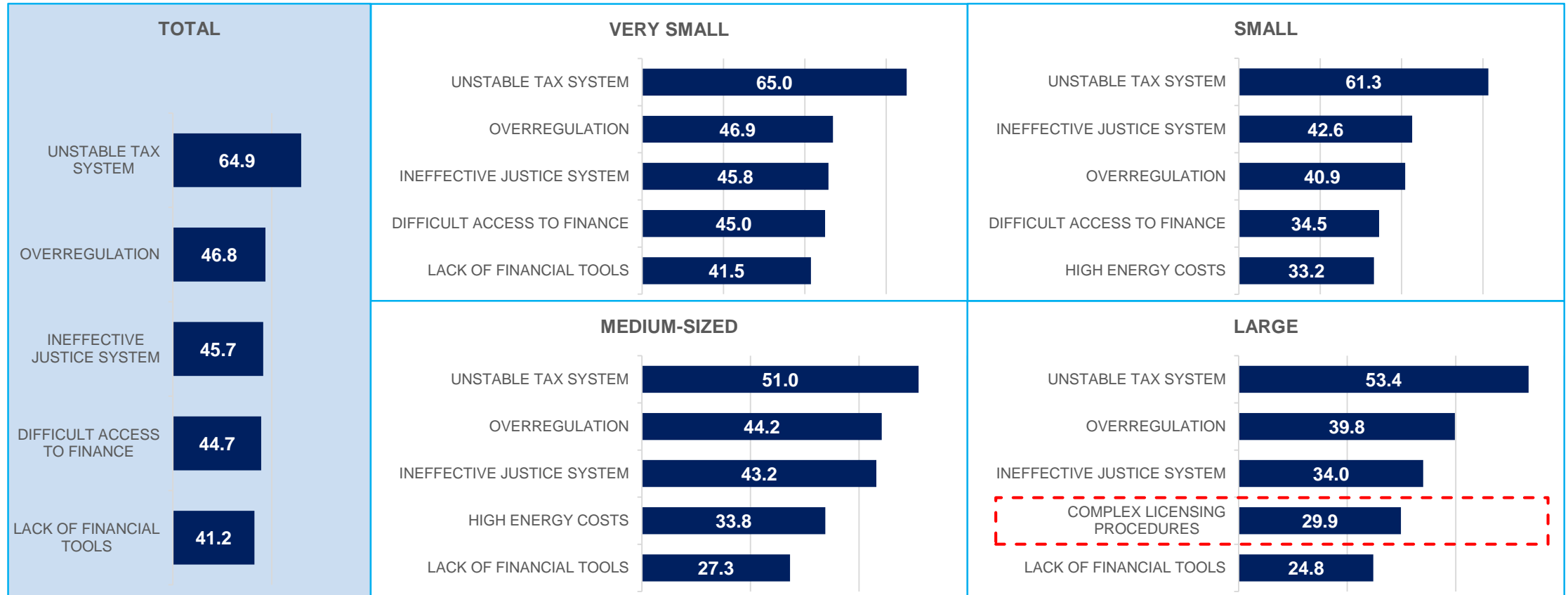
EXTREME DIFFICULTY



EVALUATION OF OBSTACLES TO BUSINESS OPERATION - MICRO ENVIRONMENT - SIZE

Top-5 obstacles to business operation at a micro environment level; analysis based on the **company size** (number of employees).

Scale from 1 to 5, where 1 = NO DIFFICULTY and 5 = EXTREME DIFFICULTY
Percentages (%) of answer "Extreme difficulty"

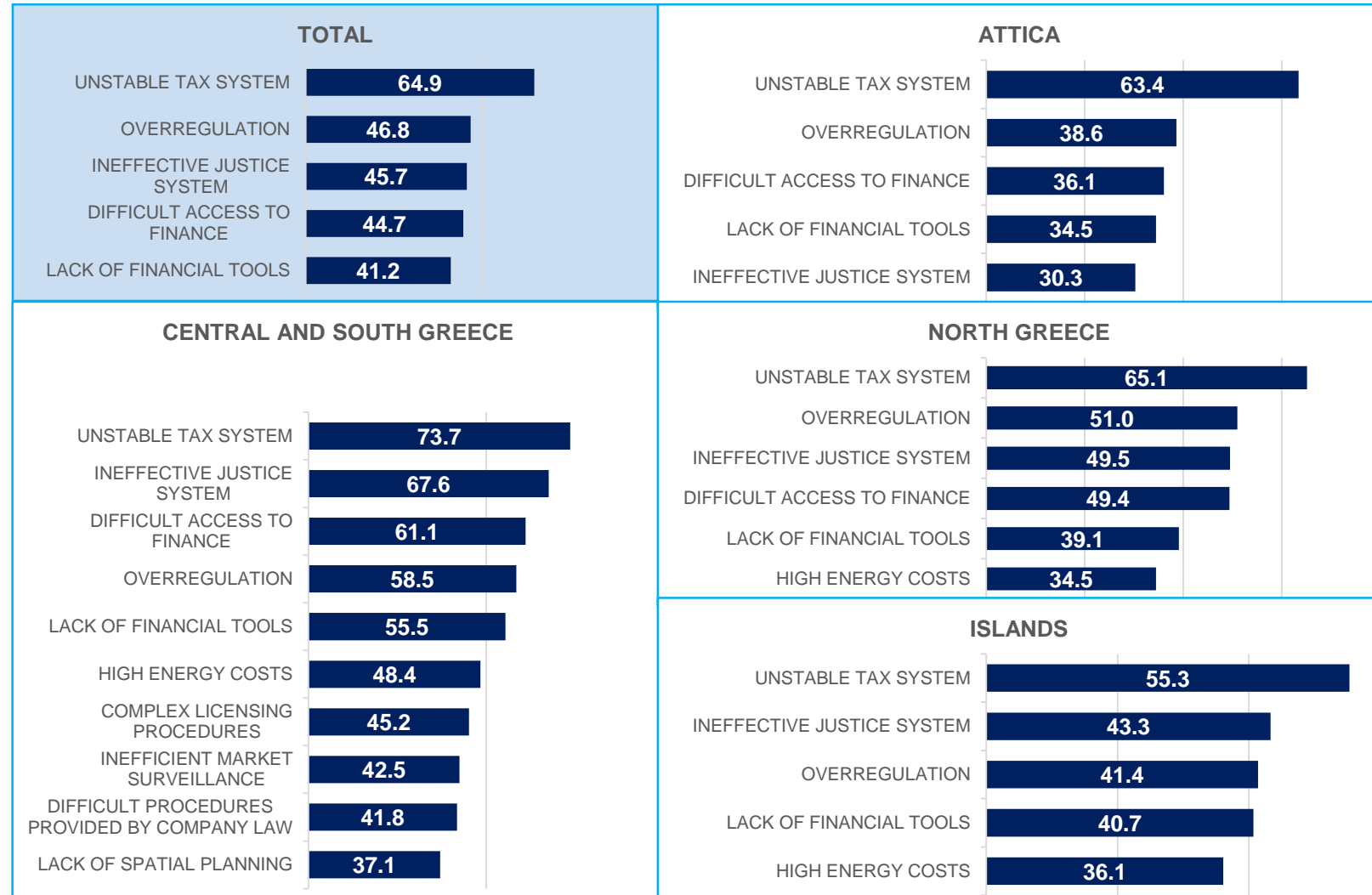


Large: >100 employees, Medium-sized: 20-99 employees, Small: 10-49 employees, Very small: 1-9 employees

EVALUATION OF OBSTACLES TO BUSINESS OPERATION - MICRO ENVIRONMENT - LOCATION

Top-5 obstacles to business operation at a micro environment level; analysis based on the **headquarters location**.

Scale from 1 to 5, where 1 = NO DIFFICULTY and 5 = EXTREME DIFFICULTY
Percentages (%) of answer "Extreme difficulty"



10 obstacles with extreme difficulty > 35%

Proposed solutions for the removal of “micro environment” obstacles/barriers

SOLUTIONS FOR THE MICRO ENVIRONMENT

1. UNSTABLE TAX SYSTEM

COMMITMENT FOR GRADUAL
REDUCTION OF TAX RATES FOR
NATURAL AND LEGAL PERSONS

57.6

5. LACK OF FINANCIAL TOOLS AND INVESTMENT INCENTIVES

ACCELERATION OF THE
PROCEDURES OF INCLUSION AND
PAYMENT IN FULL UNDER THE EU
PARTNERSHIP AGREEMENTS AND
DEVELOPMENT LAWS

55.1

SUBSIDIES TO LOWER LENDING
RATES FROM THE BANKING
SYSTEM

41.0

4. DIFFICULT ACCESS TO FINANCE

LIFTING CAPITAL CONTROLS

46.6

SETTLING THE MATTER OF NON-
PERFORMING LOANS

32.1

2. OVERREGULATION AND UNCLEAR LEGAL FRAMEWORK

IMPLEMENTATION OF
OBLIGATORY CODIFICATION OF
LEGISLATION THAT AFFECTS
THE OPERATION OF
BUSINESSES

42.3

ALIGNING LEGISLATION WITH
THE RULINGS OF SUPREME
COURTS

37.9

3. INEFFECTIVE JUSTICE SYSTEM

COMPLETION AND
APPLICATION OF E-JUSTICE
AND INTERCONNECTION WITH
THE IT SYSTEMS OF OTHER
INVOLVED PARTIES (E.G. GEMI,
TAXIS, ERGANI)

40.4

REDUCTION OF BACKLOG
CASES, BY HAVING A SPECIAL
TEAM OF COURT OFFICIALS TO
GROUP SIMILAR CASES AND
PROCEED WITH THEIR
CLEARANCE

36.6

NOTE: EACH RESPONDENT ANSWERED ONLY FOR THE TOP 4 OBSTACLES IN THE MICRO ENVIRONMENT, ACCORDING TO HIS/HER EVALUATION.
GRAPHS SHOW SUGGESTED SOLUTIONS THAT RECEIVED A PERCENTAGE HIGHER THAN 30%.

SOLUTIONS FOR THE MICRO ENVIRONMENT

6. HIGH ENERGY COSTS

CONTRIBUTORY AND COMPETITIVE FEES FOR ELECTRICITY AND NATURAL GAS TRANSMISSION AND DISTRIBUTION

41.0

7. COMPLEX LICENSING PROCEDURES

CREATION OF A ONE-STOP-SHOP FOR LICENSING (ALONG THE LINES OF ERMIS, GEMI, ETC.)

58.2

IMMEDIATELY START THE FULL OPERATION OF THE INTEGRATED INFORMATION SYSTEM FOR MANAGING LICENSING AND INSPECTIONS

33.3

8. INEFFICIENT MARKET SURVEILLANCE

RATIONALISATION OF FINES BASED ON THE PRINCIPLE OF PROPORTIONALITY FOR THE VIOLATION

61.6

MERGER OF INSPECTION BODIES

31.6

INCREASE THE NUMBER OF INSPECTIONS THROUGH OUTSOURCING

31.4

9. DIFFICULT PROCEDURES PROVIDED BY COMPANY LAW

REDUCE RED TAPE

45.6

INTERCONNECT GEMI WITH TAXIS, IKA, OAAE, COURTS OF FIRST INSTANCE WITH RESPECT TO ALL CHANGES FROM THE ESTABLISHMENT TO THE CLOSURE OF A BUSINESS

31.1

10. LACK OF SPATIAL PLANNING

ESTABLISHMENT OF LAND USES FOR THE WHOLE OF GREECE (WITHIN THE NEXT TWO YEARS)

74.4

CREATION/UPDATE, AS A MATTER OF PRIORITY, SPECIAL SPATIAL PLANS FOR INDUSTRY, MINING AND MARITIME ACTIVITIES

32.7

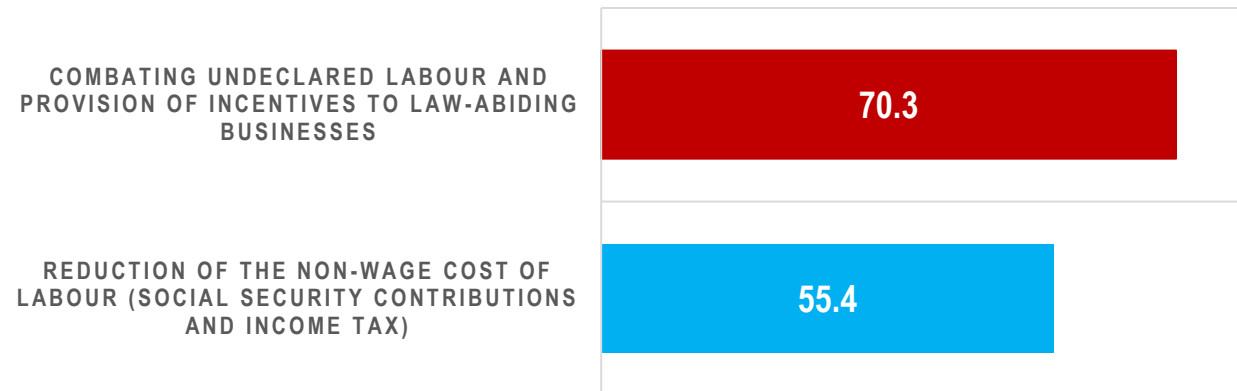
11. PUBLIC PROCUREMENT SYSTEM

ESTABLISHMENT OF A PROCESS FOR THE EVALUATION OF SUPPLIERS AND LINKING THE RESULTS WITH THEIR PARTICIPATION IN SUBSEQUENT PROCUREMENT TENDERS

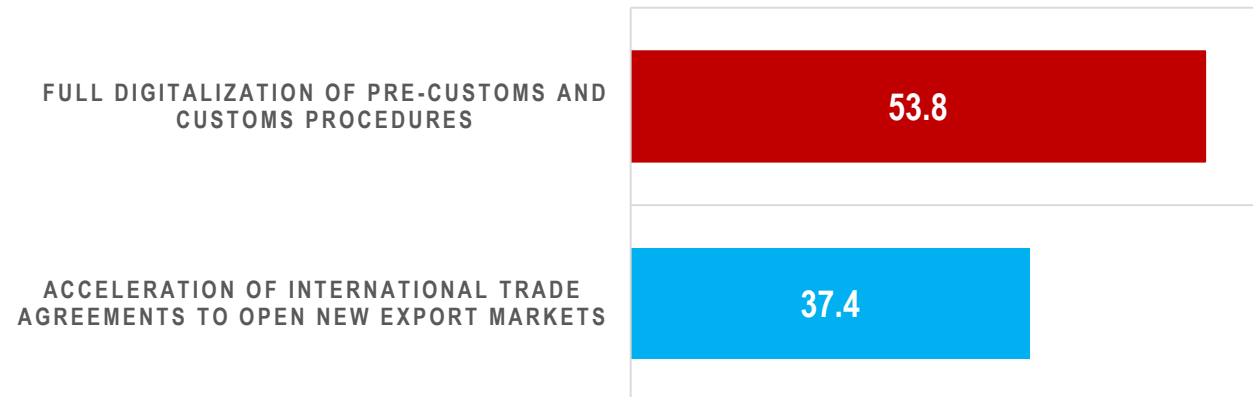
56.5

NOTE: EACH RESPONDENT ANSWERED ONLY FOR THE TOP 4 OBSTACLES IN THE MICRO ENVIRONMENT, ACCORDING TO HIS/HER EVALUATION. GRAPHS SHOW SUGGESTED SOLUTIONS THAT RECEIVED A PERCENTAGE HIGHER THAN 30%.

12. LABOUR FRAMEWORK



13. DELAYS IN CUSTOMS PROCEDURES

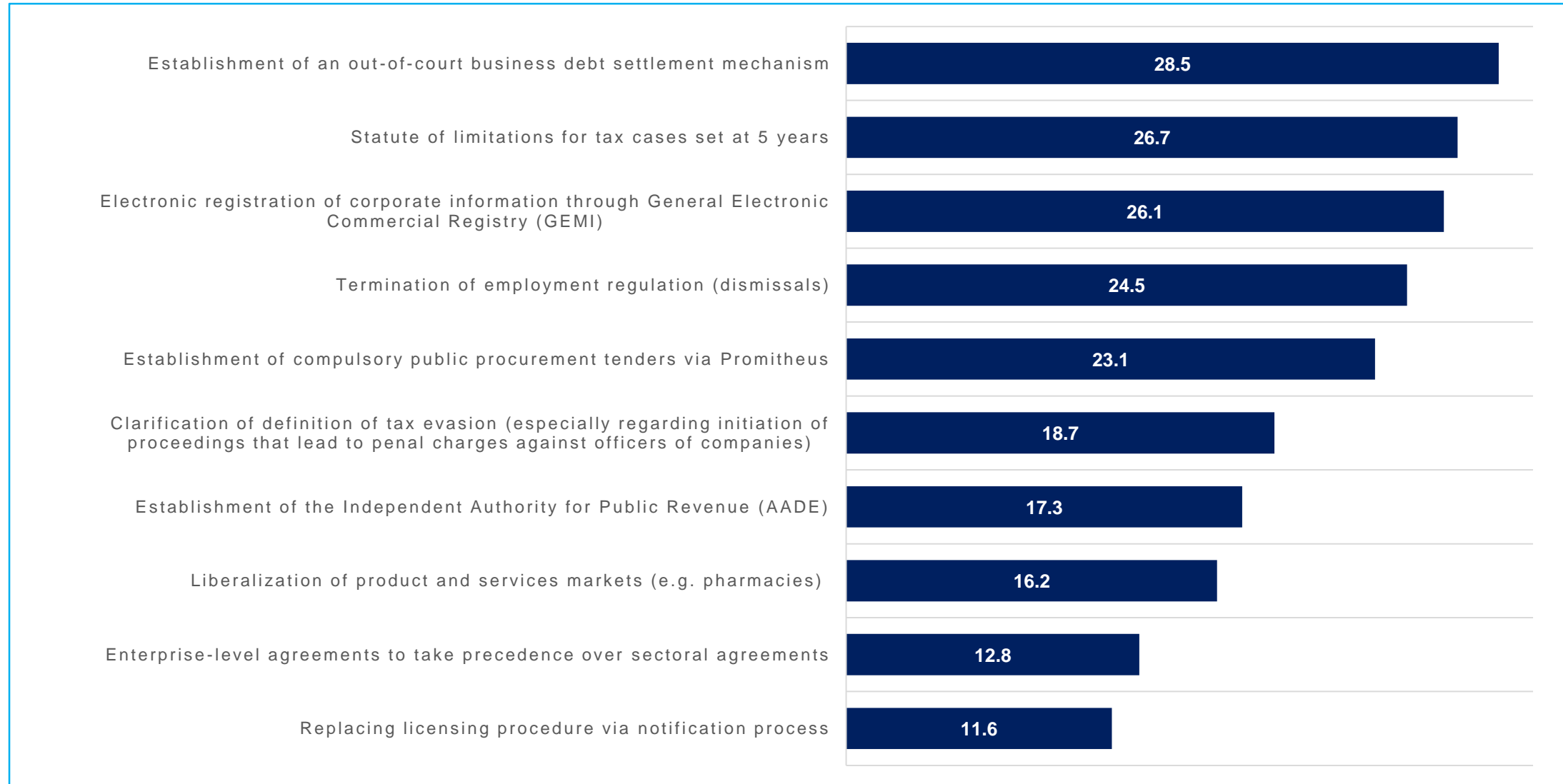


Reform assessment



EVALUATION OF **NECESSITY** OF REFORMS FOR THE DAY-TO-DAY BUSINESS OPERATION

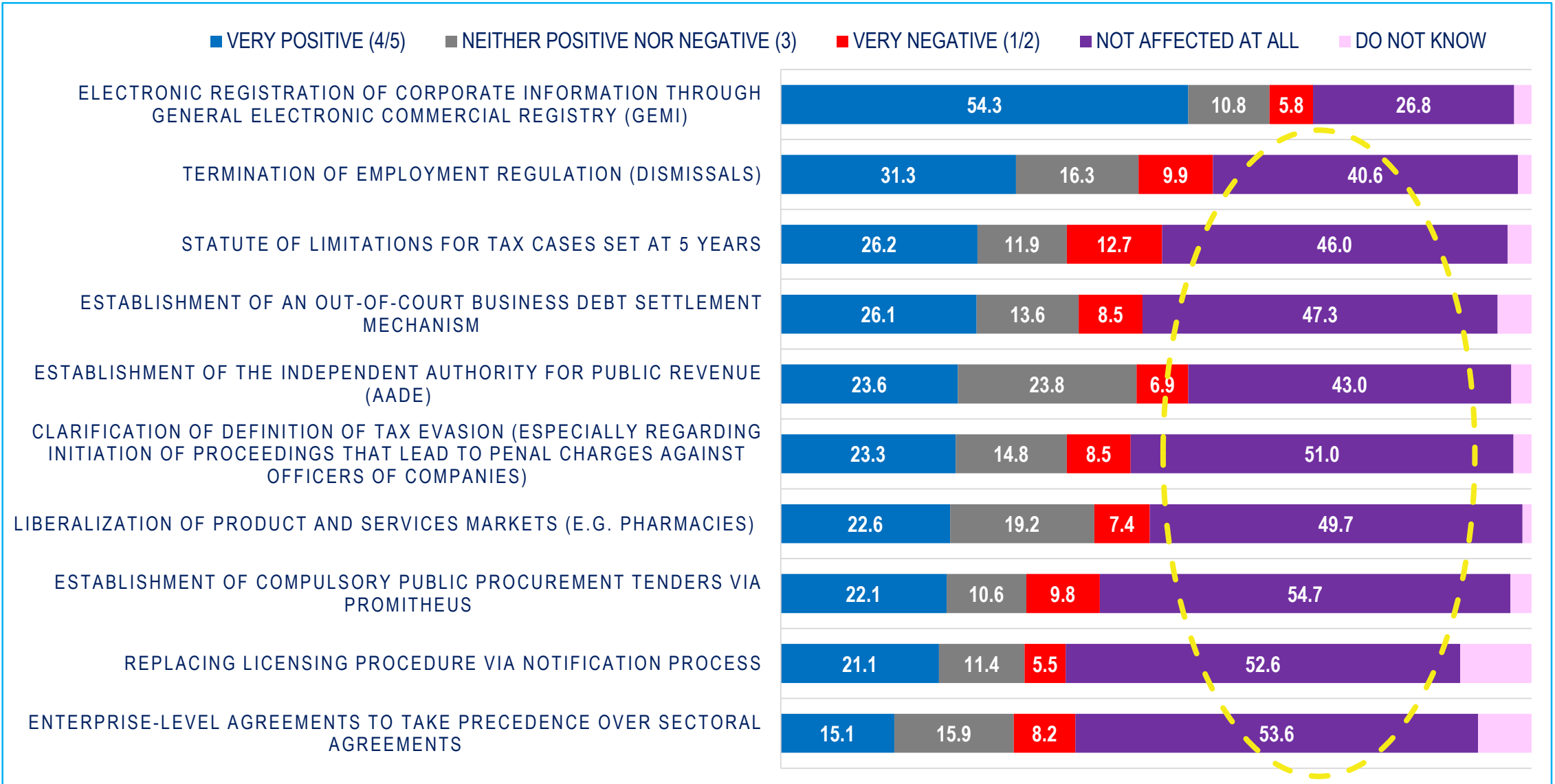
Which of the following reforms implemented in recent years, you believe that were more necessary for the day-to-day operation of your own company?



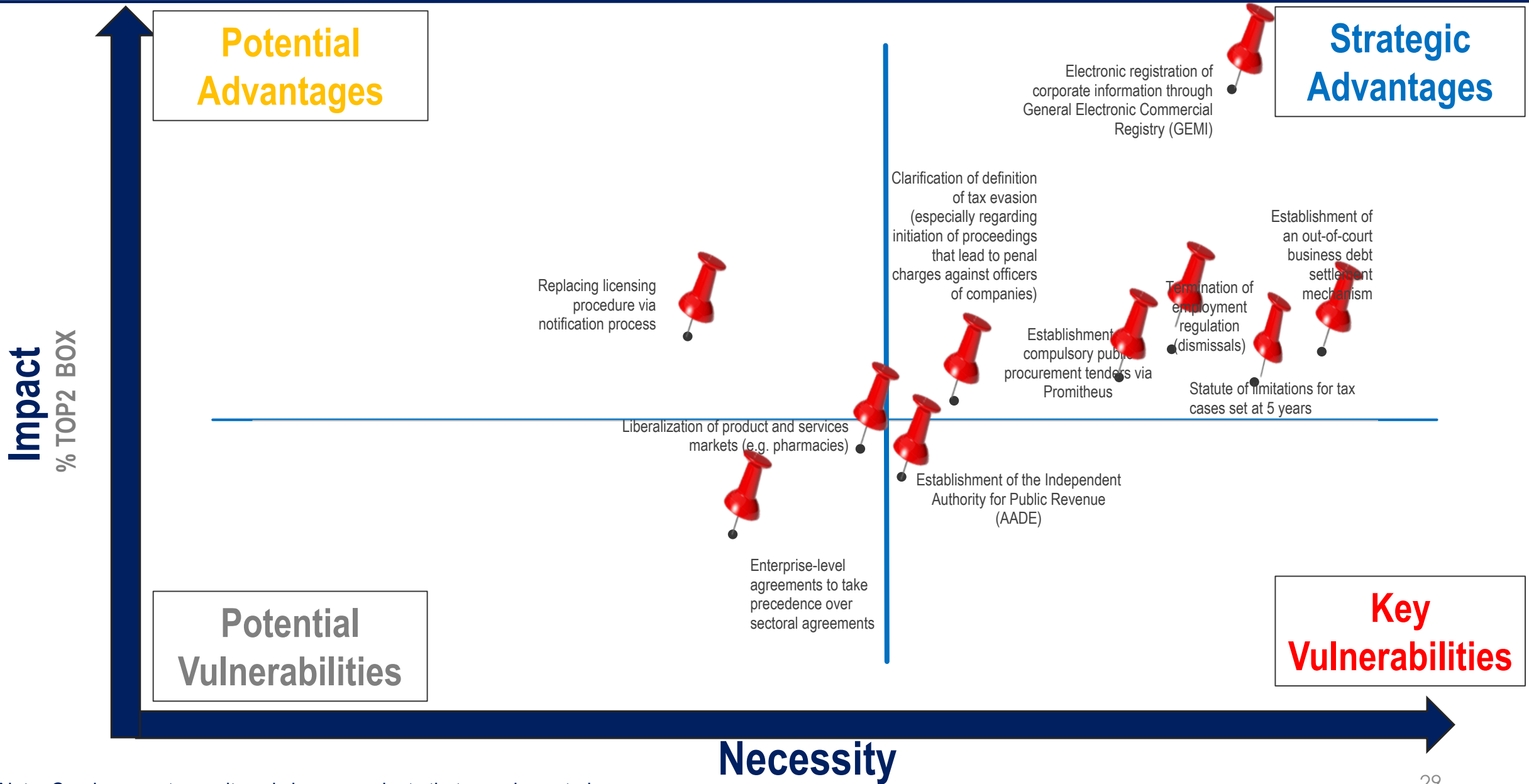
Note: Option for four answers.

EVALUATION OF **IMPACT** OF REFORMS FOR THE DAY-TO-DAY BUSINESS OPERATION

Each one of these reforms has had a positive or a negative impact to the day-to-day operation of your own company and to the business decision making process?



IMPACT vs NECESSITY OF REFORMS

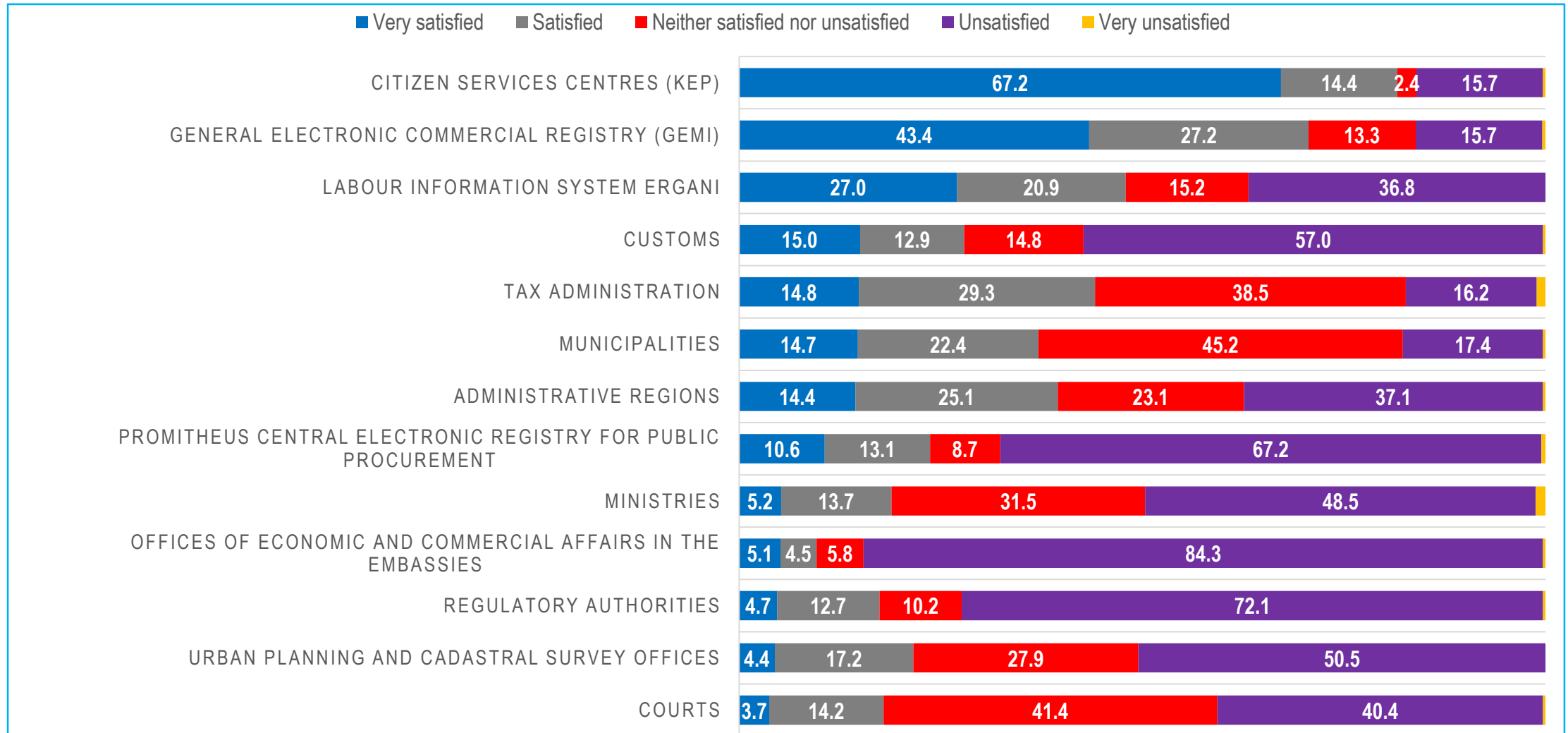


Note: Graph presents results only by respondents that were impacted.

Quality of services provided by public administration to companies (customer satisfaction survey)

EVALUATION OF **QUALITY** OF SERVICES PROVIDED BY PUBLIC ADMINISTRATION

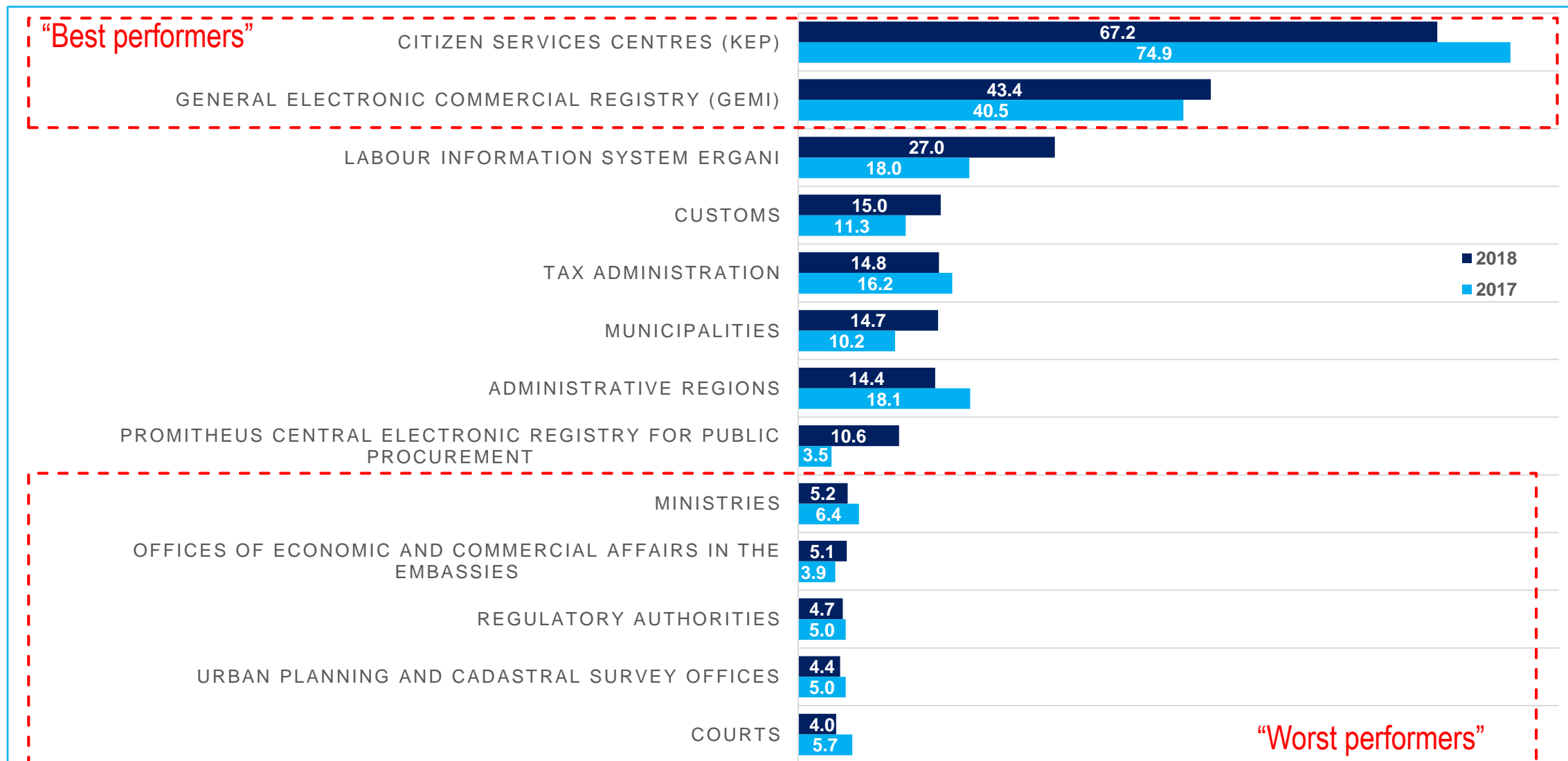
Based on your experience during the last two years, please evaluate your overall satisfaction by the quality of services provided by public administration, on a scale from 1 to 5, where 1 = VERY UNSATISFIED and 5 = VERY SATISFIED.



EVALUATION OF **QUALITY** OF SERVICES PROVIDED BY PUBLIC ADMINISTRATION

Based on your experience during the last two years, please evaluate your overall satisfaction by the quality of services provided by public administration, on a scale from 1 to 5, where 1 = VERY UNSATISFIED and 5 = VERY SATISFIED.

Percentages (%) of answers “Satisfied / Very satisfied”

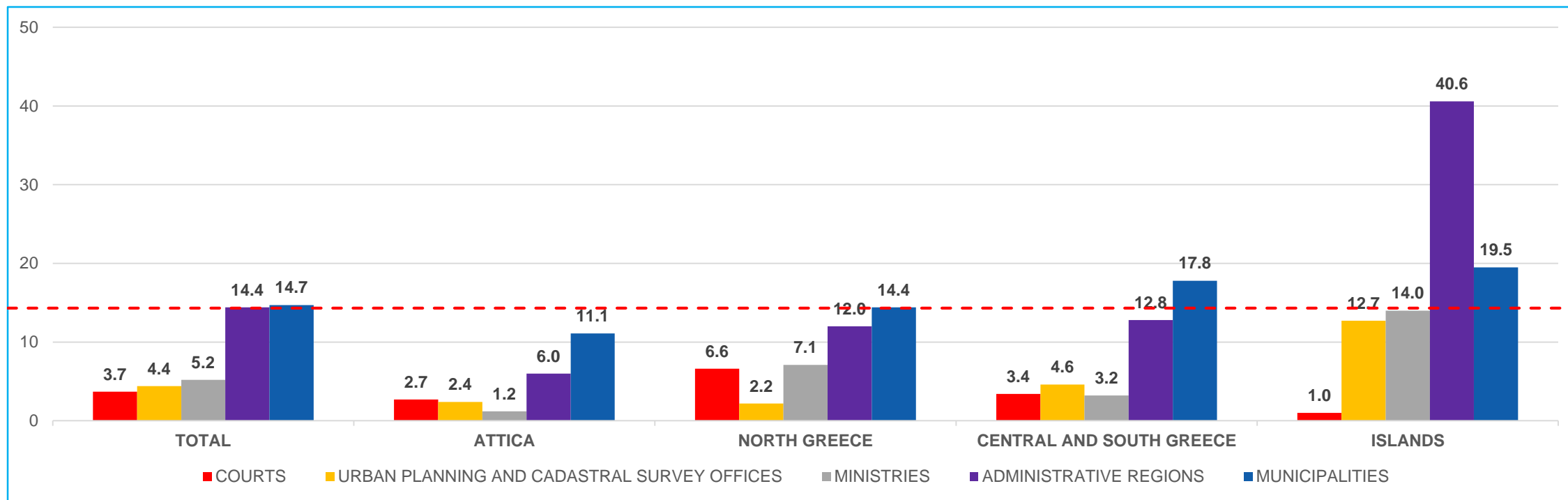


EVALUATION OF **QUALITY** OF SERVICES PROVIDED BY PUBLIC ADMINISTRATION

Percentage of companies that are satisfied with the quality of services provided by public administration, **based on company's location**.

Scale from 1 to 5, where 1 = VERY UNSATISFIED and 5 = VERY SATISFIED

Percentages (%) of answers "Satisfied / Very satisfied"



* Graph shows selected public administration bodies (with local presence).

SATISFACTION INDEX BY THE **QUALITY** OF SERVICES PROVIDED BY PUBLIC ADMINISTRATION

NO SATISFACTION

1 → 10

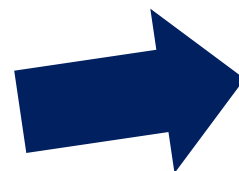
SATISFACTION

2017

2018

Satisfaction Index by the **Quality**
of services provided by public
administration

4,8

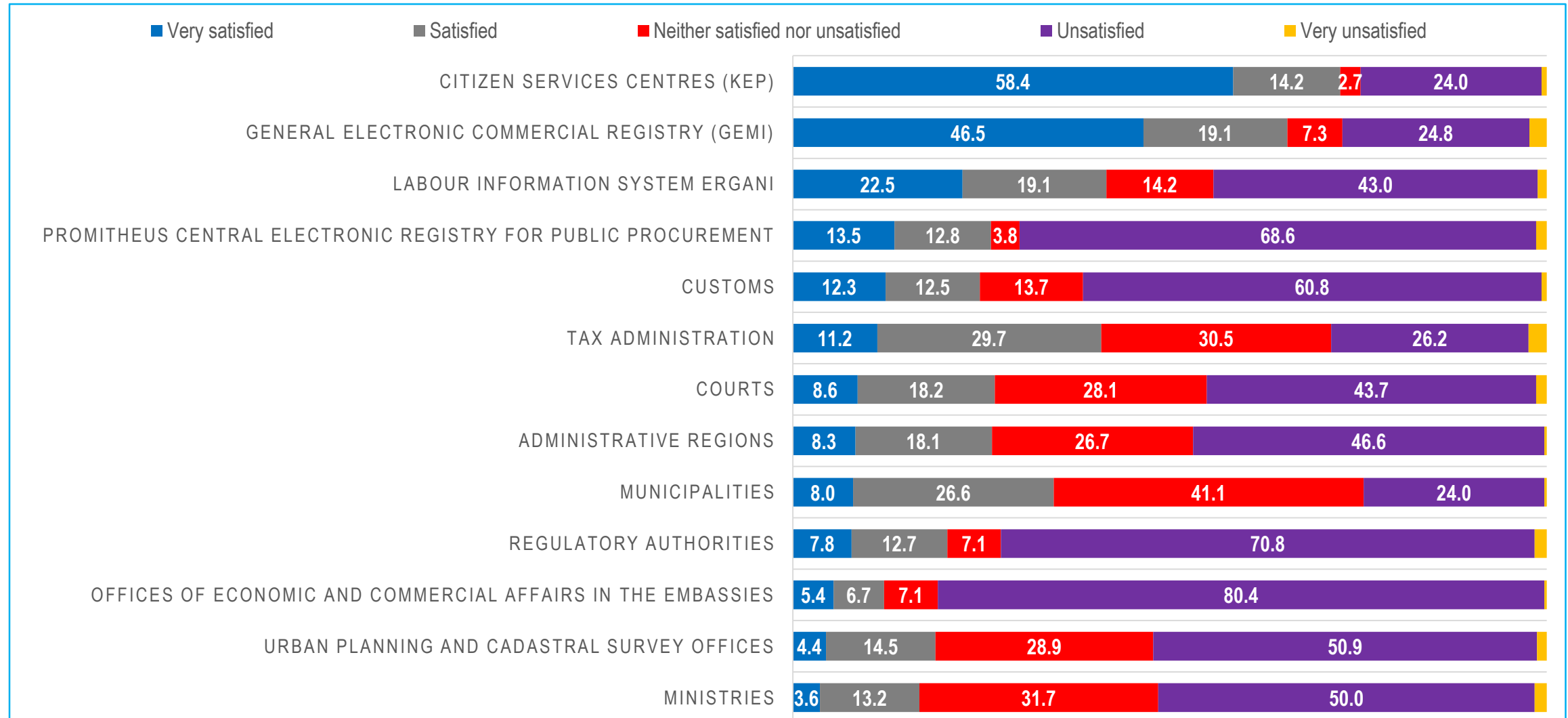


6,1



EVALUATION OF **TRANSPARENCY** OF SERVICES PROVIDED BY PUBLIC ADMINISTRATION

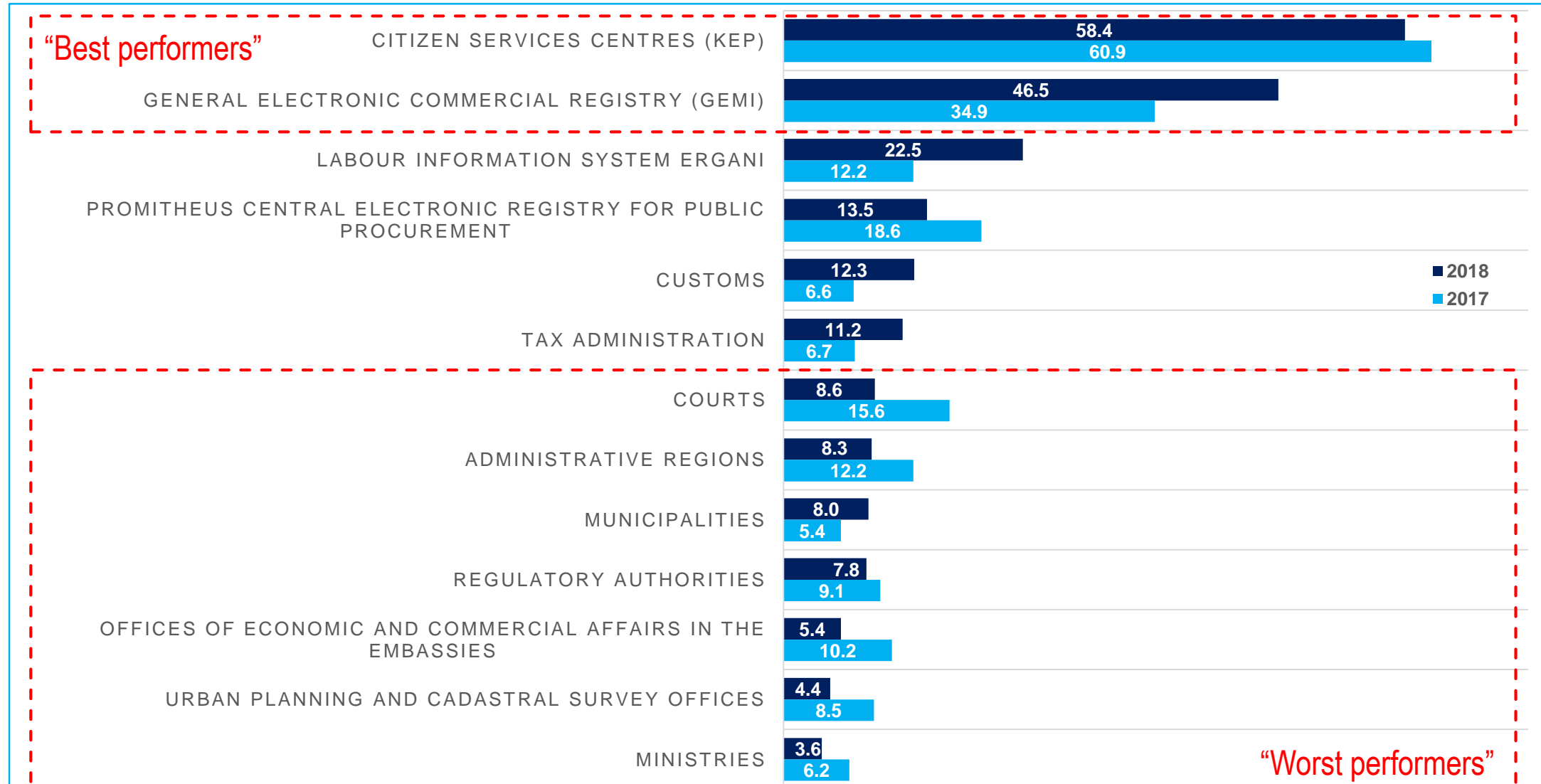
Based on your experience during the last two years, please evaluate your overall satisfaction by the transparency of services provided by public administration, on a scale from 1 to 5, where 1 = VERY UNSATISFIED and 5 = VERY SATISFIED.



EVALUATION OF **TRANSPARENCY** OF SERVICES PROVIDED BY PUBLIC ADMINISTRATION

Based on your experience during the last two years, please evaluate your overall satisfaction by the transparency of services provided by public administration, on a scale from 1 to 5, where 1 = VERY UNSATISFIED and 5 = VERY SATISFIED.

Percentages (%) of answers "Satisfied / Very satisfied"

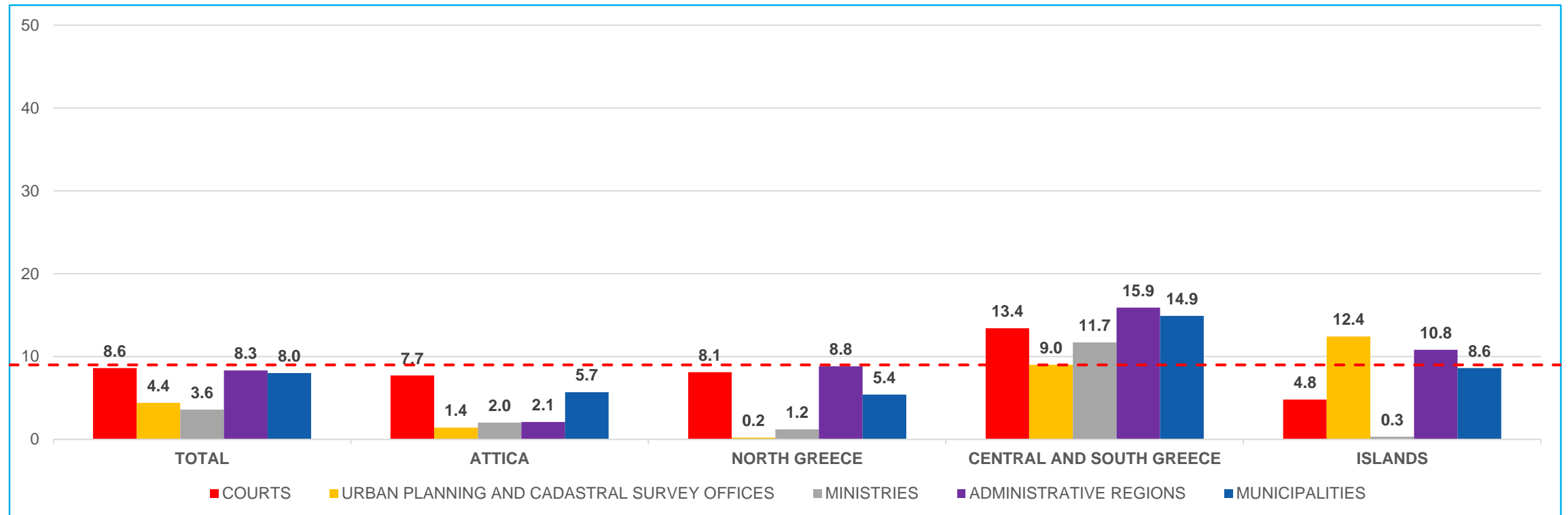


EVALUATION OF **TRANSPARENCY** OF SERVICES PROVIDED BY PUBLIC ADMINISTRATION

Percentage of companies that are satisfied with the transparency of services provided by public administration, **based on company's location**.

Scale from 1 to 5, where 1 = VERY UNSATISFIED and 5 = VERY SATISFIED

Percentages (%) of answers "Satisfied / Very satisfied"



* Graph shows selected public administration bodies (with local presence).

SATISFACTION INDEX BY THE **TRANSPARENCY** OF SERVICES PROVIDED BY PUBLIC ADMINISTRATION

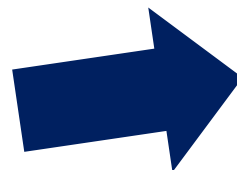
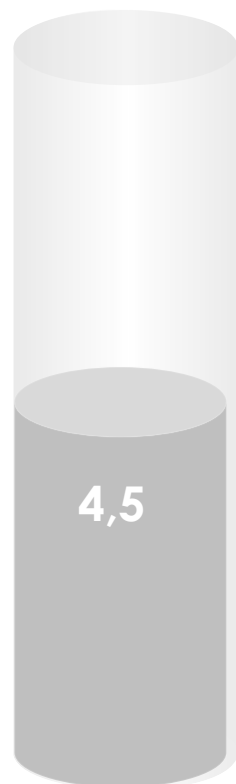
NO TRANSPARENCY

1 → 10

TRANSPARENCY

2017

2018

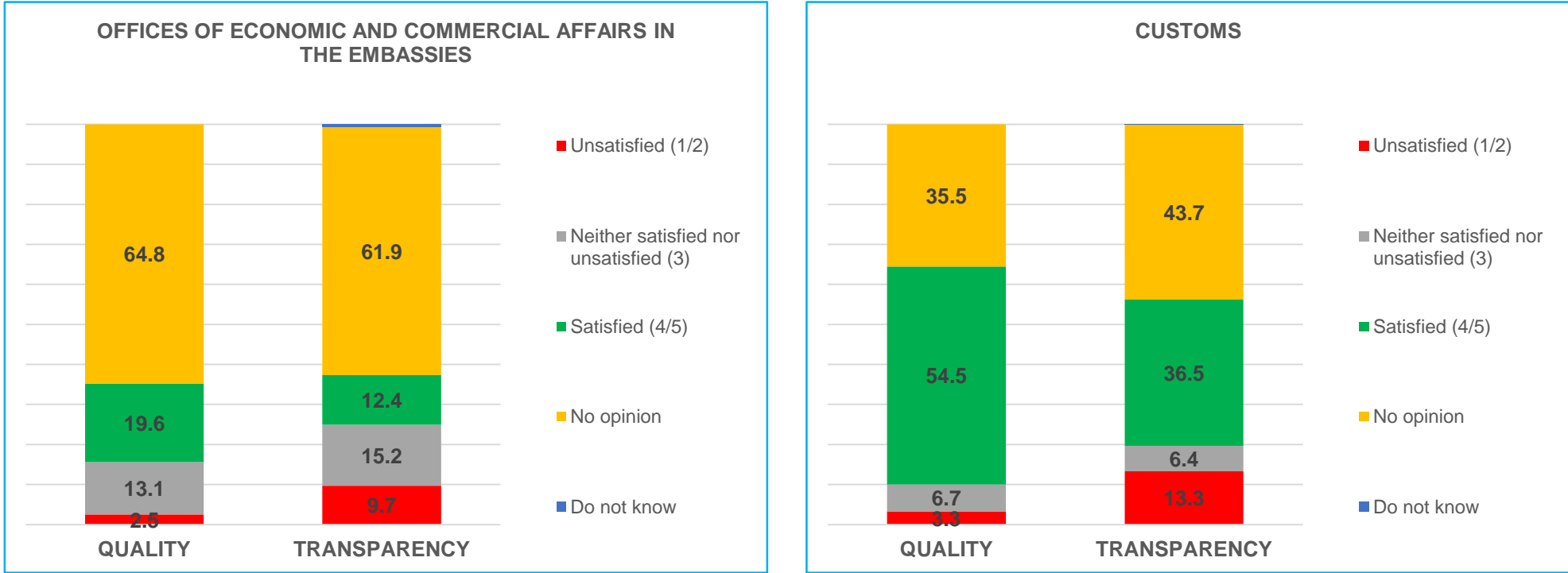


Satisfaction Index by the **Transparency** of services provided by public administration

EVALUATION OF **QUALITY/TRANSPARENCY** OF SERVICES PROVIDED BY PUBLIC ADMINISTRATION

Based on your experience during the last two years, please evaluate your overall satisfaction by the quality and transparency of services provided by public administration, on a scale from 1 to 5, where 1 = VERY UNSATISFIED and 5 = VERY SATISFIED.

Answers of companies with **export orientation** of companies (>30% of turnover)



Areas for improvement for public administration

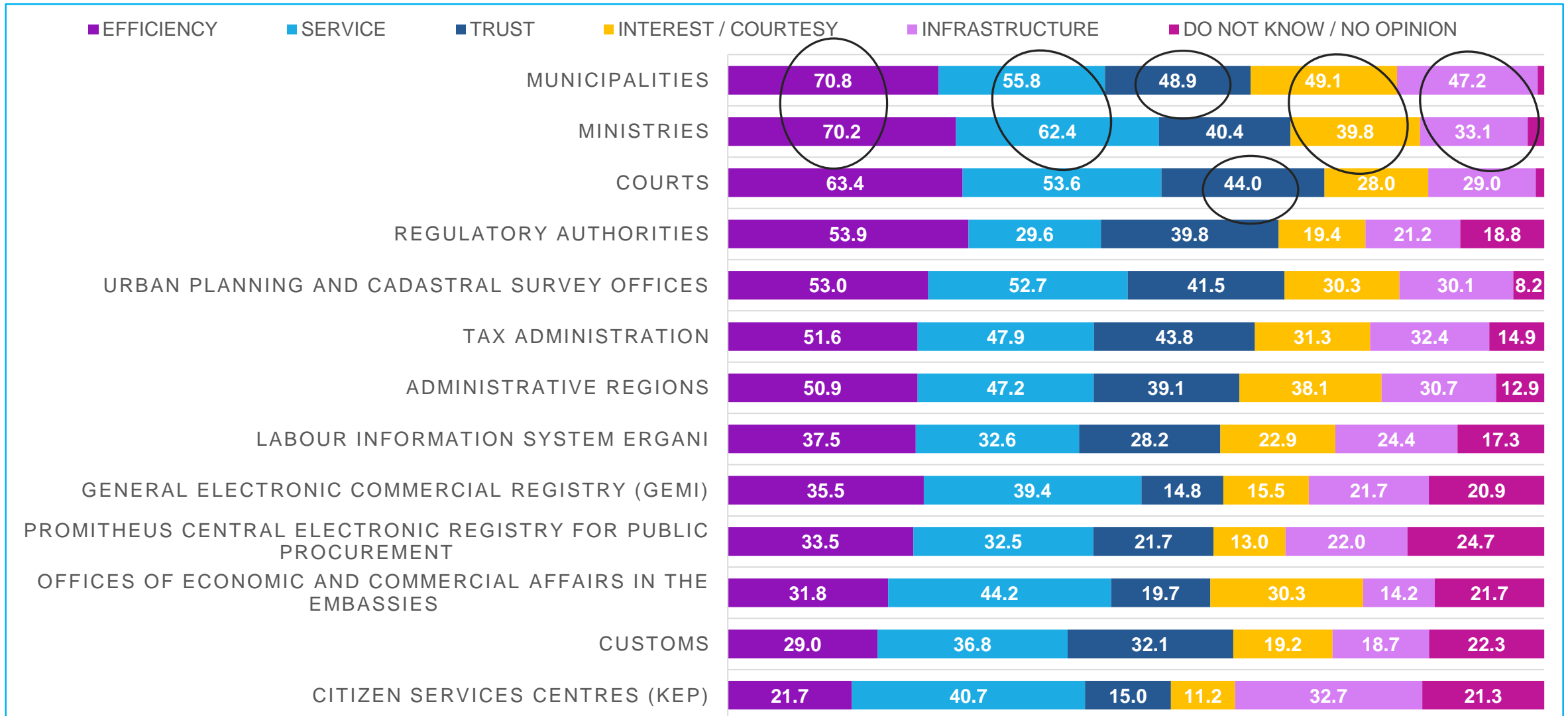
Areas for improvement

- ✓ **Efficiency** (providing services **efficiently** - timely / at **scheduled time period** - **without errors** and **omissions**)
- ✓ **Service** (providing services **willingly** - devoting time - **rapidly**)
- ✓ **Trust** (transmitting a sense of **trust - confidence** in the knowledge and skills of the staff - **confidentiality** of data)
- ✓ **Interest / Courtesy** (providing services in a **climate of good cooperation** / demonstration of personal interest for all phases of each request - **understanding the specialized requests** of companies)
- ✓ **Infrastructure** (**quality** of buildings and technological **infrastructure**, **sufficient equipment** and logistical infrastructure)

ONLY THOSE WHO ANSWERED VERY UNSATISFIED / UNSATISFIED / NEITHER
SATISFIED NOR SATISFIED BY THE QUALITY OF SERVICES PROVIDED BY
PUBLIC ADMINISTRATION

SUGGESTED AREAS OF IMPROVEMENT OF PUBIC ADMINISTRATION SERVICES

Based on your experience with the specific public administration bodies, in which areas should they improve in order to upgrade the quality of services provided?



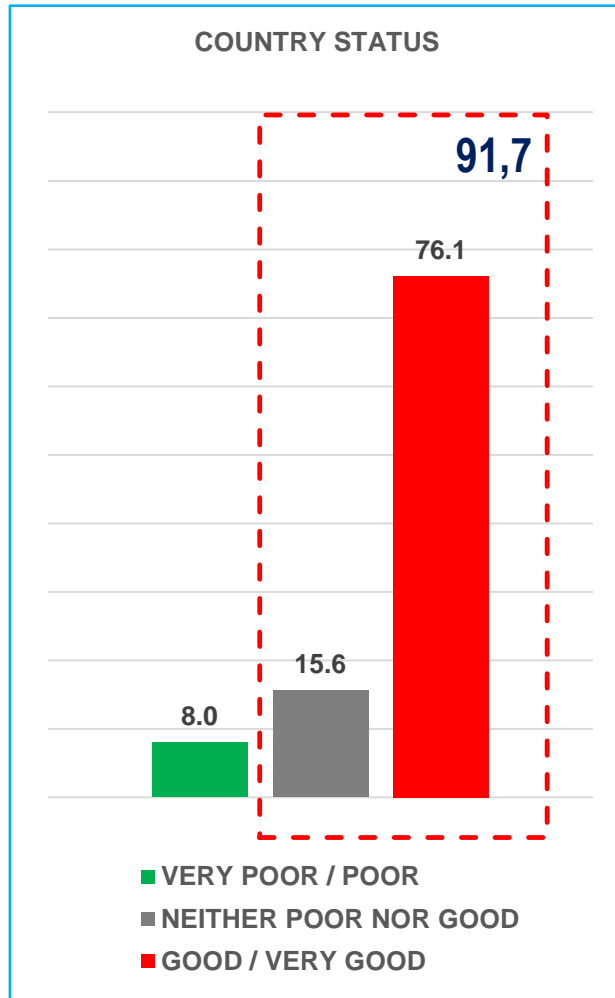
* Availability for multiple answers

Business environment



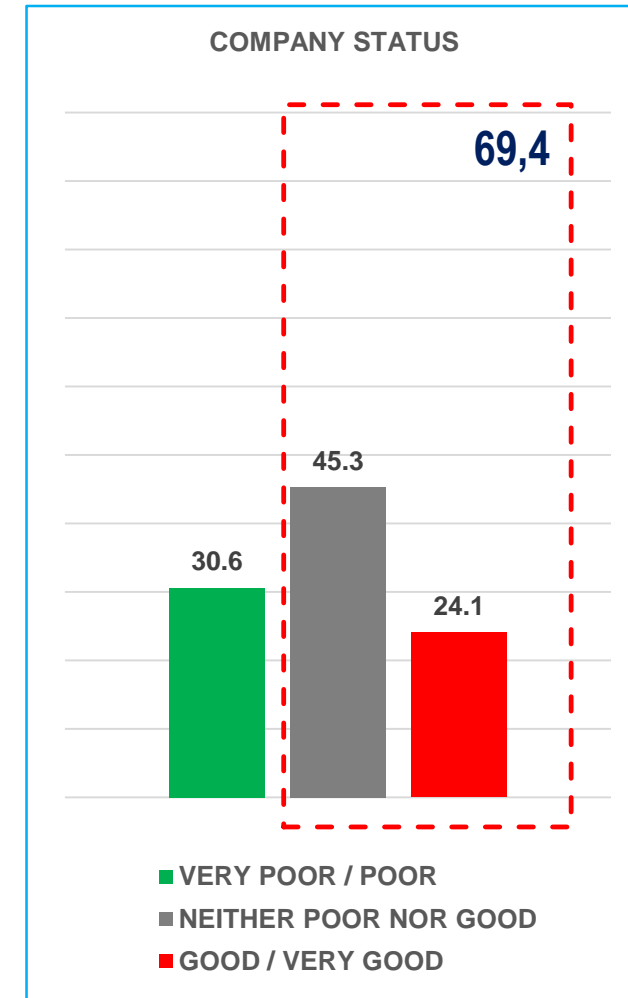
GENERAL OVERVIEW OF BUSINESS ENVIRONMENT

CURRENT COUNTRY STATUS



Compared to 2017:
-7,3

CURRENT COMPANY STATUS



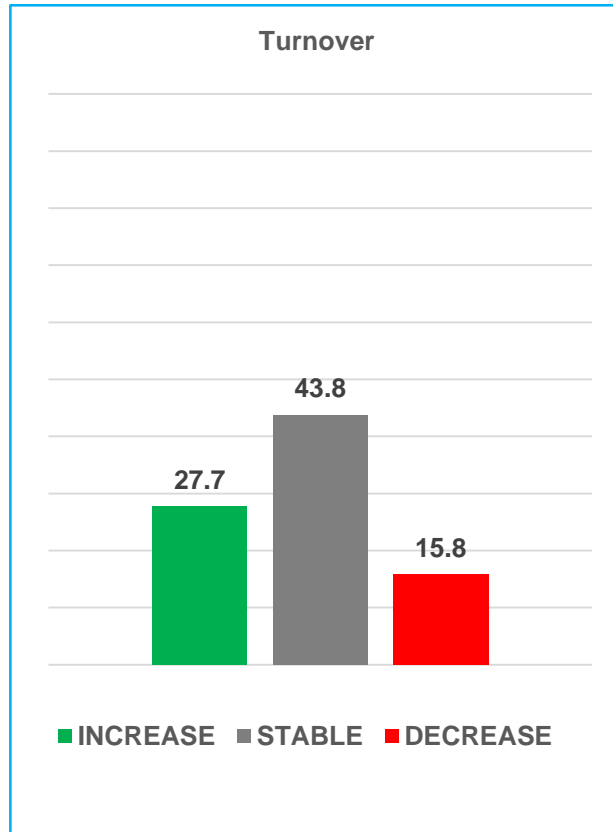
Compared to 2017:
-8,7

GENERAL OVERVIEW OF BUSINESS ENVIRONMENT

Estimate of company's performance over the **next year / Turnover**

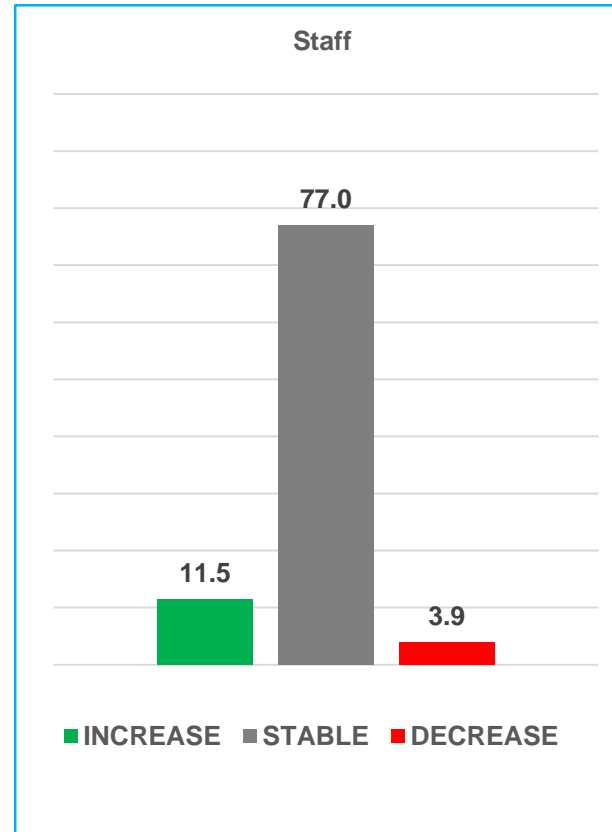
Compared to 2017:

+14,8



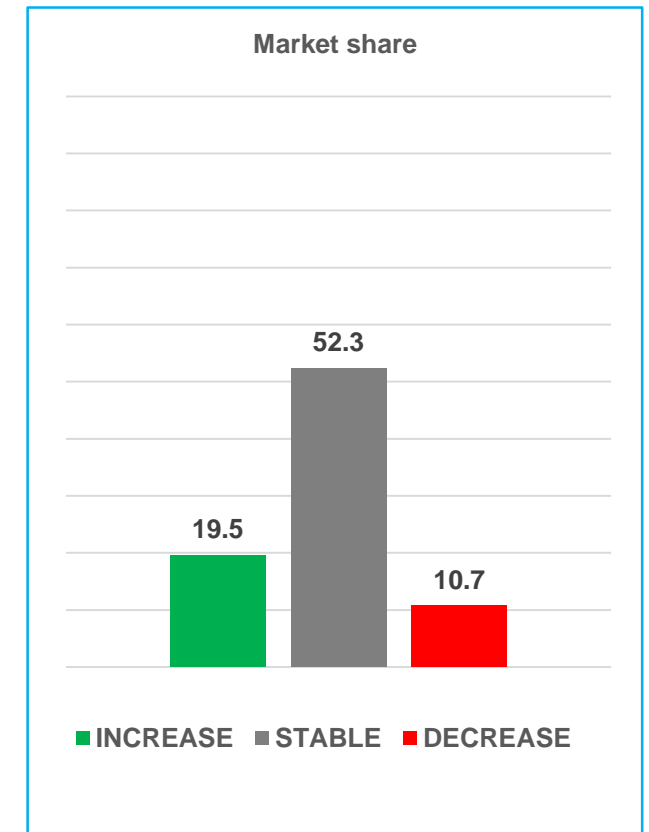
Estimate of company's performance over the **next year / Staff**

+4,9



Estimate of company's performance over the **next year / Market share**

+11,4

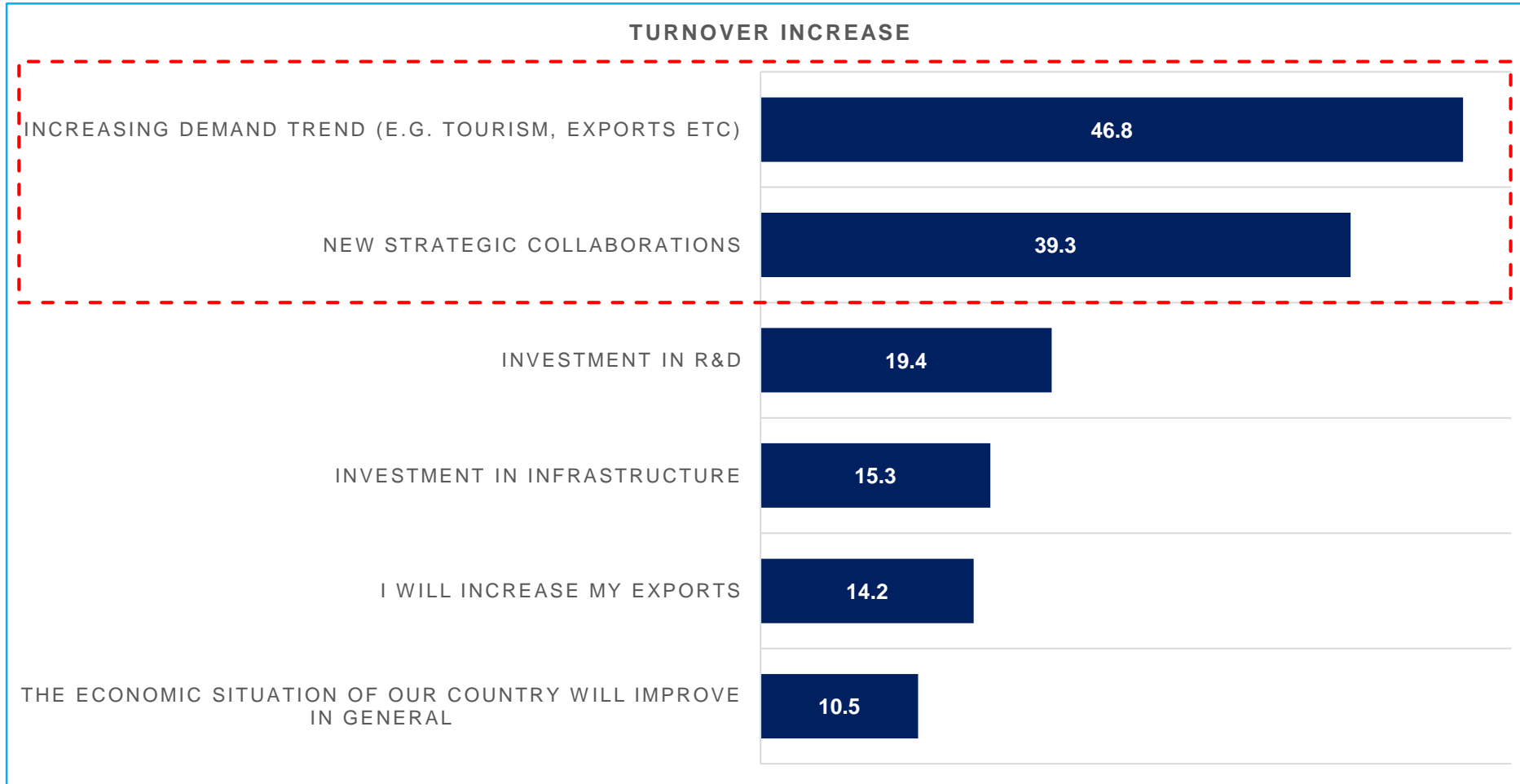


Note: Percentages exclude answers "Do not know / No answer".

GENERAL OVERVIEW OF BUSINESS ENVIRONMENT

Estimate of company's performance over the **next year** / **Turnover increase** / Reasons why

N=188



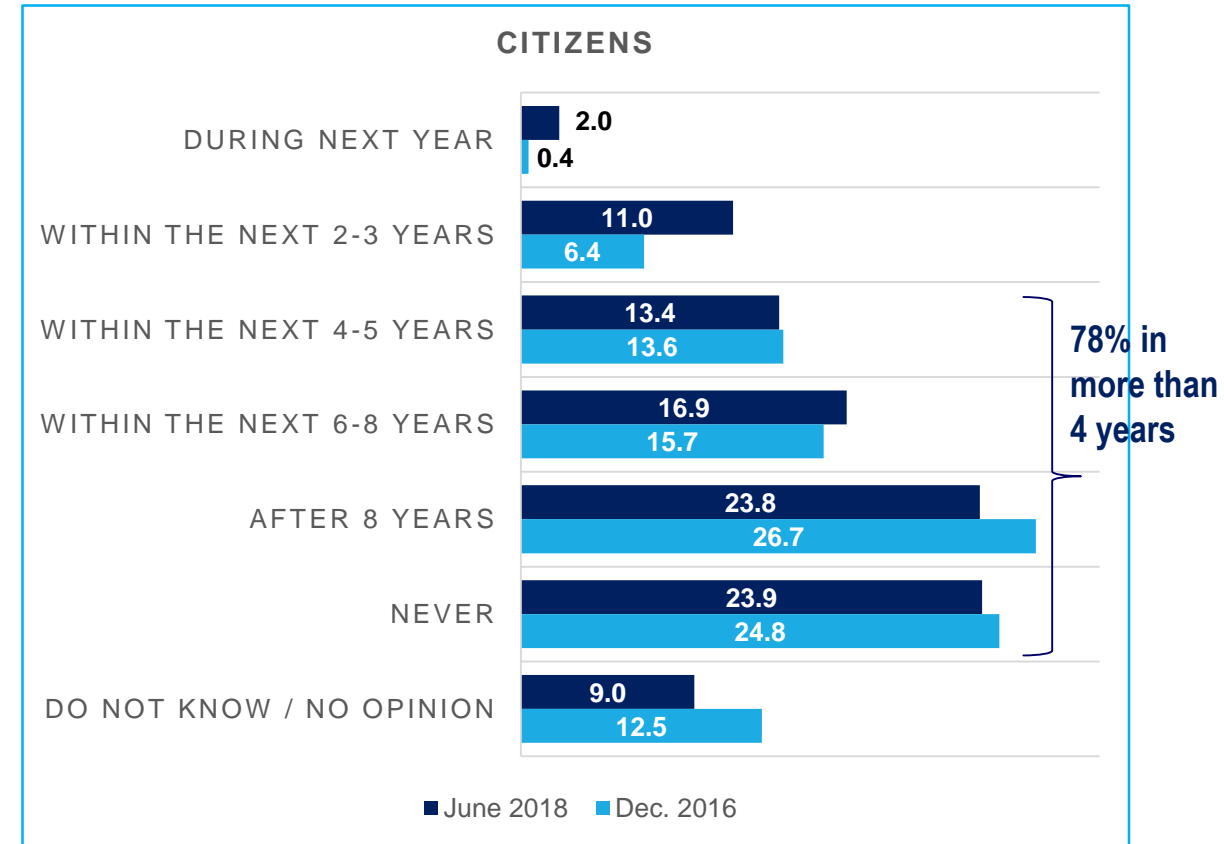
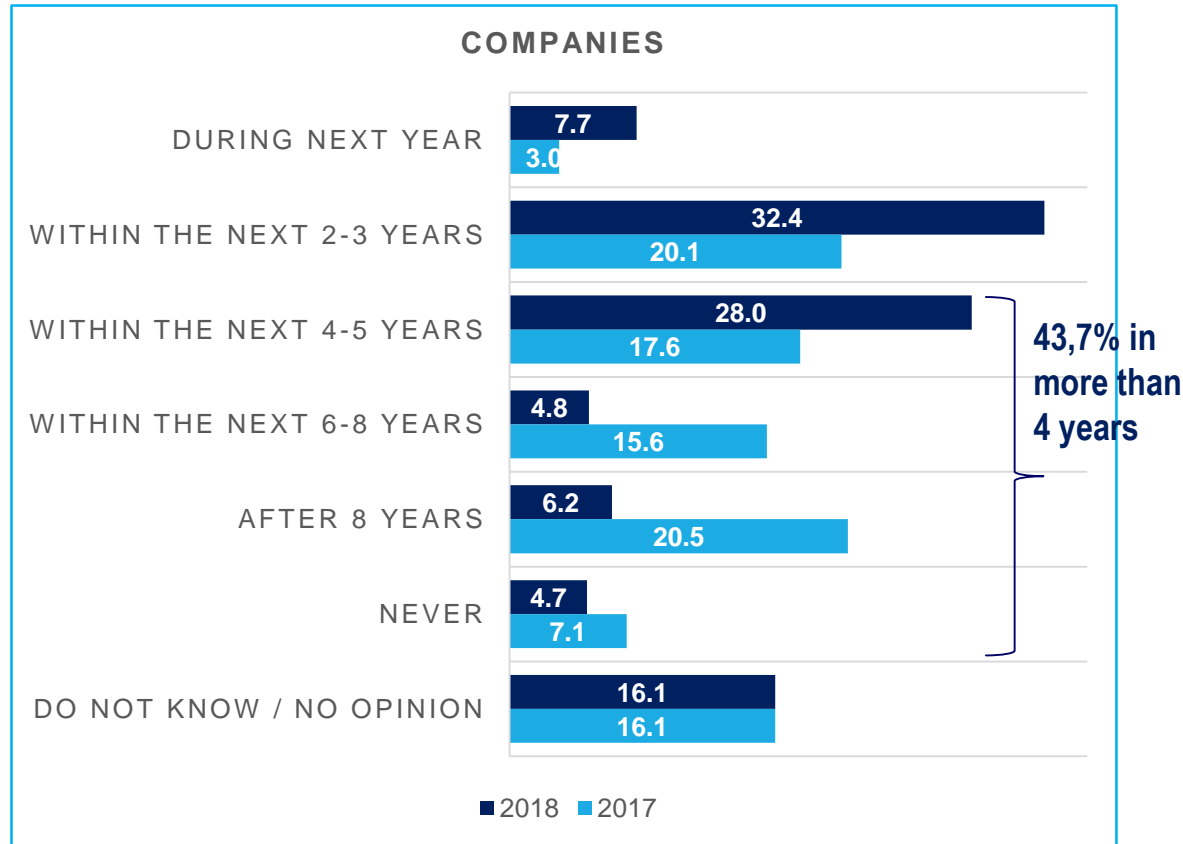
Note: Graph shows answers >2% only.

GENERAL OVERVIEW OF BUSINESS ENVIRONMENT

Estimates of when **companies** believe that the situation in the country will begin to improve

Estimates of when **citizens** believe that the situation in the country will begin to improve

Percentages %



“Business Pulse”

Measuring business friendly regulatory environment in Greece

“A customer satisfaction survey”

October 2018

A survey by:

