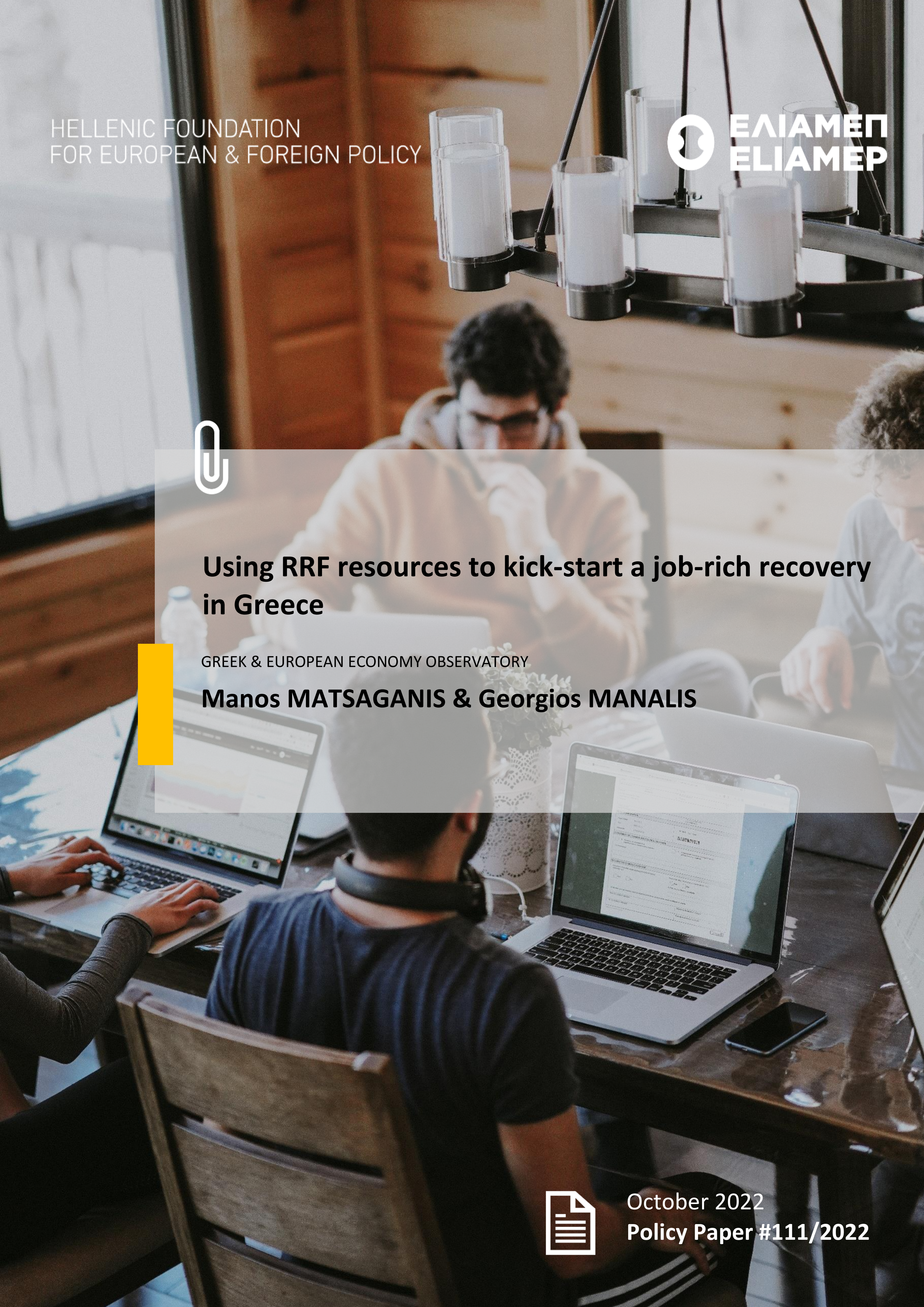

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Using RRF resources to kick-start a job-rich recovery in Greece

GREEK & EUROPEAN ECONOMY OBSERVATORY

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Summary

- In 2007-19, total investment in Greece shrank by a stunning 70% in real terms. Over the same period, public investment fell by 62%, business investment by 44%, and household investment (on housing, mostly) by 89%.
- Under-investment constrains growth and undermines the future prospects of the Greek economy.
- The Recovery and Resilience Facility offers Greece a unique opportunity to bridge the investment gap, giving a boost to the sustainable recovery of the Greek economy.
- Technically, Greece 2.0, the country's National Recovery and Resilience Plan is competently drafted, as its favourable reception by the European Commission indicates. Still, critical issues abound.
- In this sense, Greece 2.0 embodies the contradictions of the current juncture. On the one hand, there is a consensus that the Greek economy should rebalance, by pursuing a growth strategy that relies much more on exports than in the recent past, and much less on domestic consumer demand fuelled by debt. On the other

hand, the legacy of the past weighs heavily on social and political actors, limiting their room for manoeuvre. The list is daunting. It remains to be seen how the above will play out over the next few years.

A difficult decade-and-a-half

When Covid-19 officially arrived in Greece, the country was only slowly recovering from a decade of economic decline, social distress, and political instability.

On 26 February 2020, when Covid-19 officially arrived in Greece, the country was only slowly recovering from a decade of economic decline, social distress, and political instability. In 2010-14, more than a million workers lost their jobs, the average earnings of those still in work fell by over a quarter, and household incomes plummeted. In 2015-19, the economy stabilised, and unemployment began to fall, though the recovery was anaemic[1].

Relative to 2007, when the global financial crisis erupted, in 2019 the number of employed persons had shrunk by 15%, real GDP per capita by 21%, and total investment by a stunning 70%. At the same time, social spending per capita also decreased (by 6%) in 2007-19. Income inequality, whether measured by the Gini coefficient or the income quintile share ratio, was above the EU average, but below its level prior to the crisis. The poverty rate also fell, though this was partly due to the fact that the crisis reduced median incomes, and hence lowered the relative poverty threshold. As for the share of persons at risk of poverty or social exclusion, at 30% in 2019, it remained the third largest in the EU, having fallen from its peak (36% in 2014)[2].

As the health system braced for the pandemic, its resilience was in doubt. Its traditional traits[3] – too many doctors, too few nurses; too many diagnostic tests, too little primary care; too many antibiotics, too little prevention – were ill-suited to the kind of challenge posed by Covid-19. Meanwhile, per capita public health spending has been cut by as much as 46% in real terms[4] in 2009-19. Since not all of this had been waste or inefficiency, essential services have suffered[5]. In this context, 8.1% of all Greeks (17.6% of those in the lowest income quintile) reported unmet need for health, more than in any other EU member state.

The debt-to-GDP ratio briefly surpassed 200%, before it fell to a still rather vertiginous 193% in the last quarter of 2021.

In a demonstration of the Greek economy's vulnerability, partly caused by over-reliance on tourism, in 2020 real GDP fell by 9.0%, i.e. a worse recession than in all other member states bar Spain[6]. As elsewhere, when the country went into lockdown, the government spent heavily to bolster health care and to support firms and households. IMF estimates[7] put the fiscal cost of all measures taken in 2020 and 2021 at 17.5% of the 2020 GDP, which was the highest of all EU member states. Liquidity support cost another 3.7% of the 2020 GDP (which was not particularly high by international standards). As a result, the debt-to-GDP ratio briefly surpassed 200%, before it fell to a still rather vertiginous 193% in the last quarter of 2021.

Jobs and skills

Employment in Greece, comparatively low even when the economy grew fast, has fallen significantly in the 2010s. In 2021, the country's employment rate (62.6%) was the lowest in the EU, standing at over ten percentage points below the EU average (73.1%)[8].

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[1] For a recent analysis of Greece's social situation and policy responses in the 2010s, see Matsaganis (2020).
[2] All figures cited in the text are published by Eurostat, unless otherwise stated.
[3] For an analysis of some critical issues of health policy in Greece, see Matsaganis (2013).
[4] OECD data online (Health expenditure and financing; Financing scheme: Government/compulsory schemes; Function: Current expenditure on health (all functions); Provider: All providers; Measure: Per capita, current prices). Current prices were converted to constant ones using Eurostat's Harmonised index of consumer prices (HICP) - annual data).
[5] See the reviews by Kentikelenis et al. (2014), Kanavos & Souliotis (2017), and Petmesidou (2020).
[6] Cited on p. 71 in European Commission (2022). See also Text Figure 1 "Greece: The Economic Impact of the Pandemic" on p. 4 in IMF (2022).
[7] This estimate refers to "Above-the-Line Revenue and Spending". See IMF (2021a), and also Text Figure 3 "Greece: The Fiscal Response to COVID-19" on p. 8 in IMF (2022).
[8] All figures refer to the 20-64 age group.

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In spite of a steady increase in female employment in the last forty years (from 35.8% in 1981 to 52.7% in 2021)[9], Greece is bottom of the EU league, at a great distance from most other member states. (The female employment rate in the EU was 67.7% in 2021.) That the gender employment gap is so large can be at least partly attributed to the obstacles Greek women face in reconciling work and family responsibilities. Large gaps in the provision of good-quality affordable childcare and other social services, resulting in low participation[10], are evidence of those obstacles.

Furthermore, skills mismatches have been identified as a serious constraint on growth and job creation. The prolonged recession of the 2010s made worse a situation that was problematic to start with. Even though higher education has massively expanded in recent decades[11], data from the 2015 OECD Survey of Adult Skills (PIAAC) suggest that the literacy scores of younger adults were barely higher than those of older cohorts[12]. What is more, recent graduates scored surprisingly low in literacy, numeracy and problem solving[13]. Only 9.3% of individuals aged 15-64 had 'well-rounded skills' – the lowest share of all countries participating in the PIAAC survey except Turkey and Chile[14]. The 2022 European Skills Index[15] confirmed that Greece scored very low in terms of skills development and skills activation, while it ranked 30th (out of 31 countries) in terms of skills matching. In spite of high unemployment, a recent survey found that 61% of employers reported difficulties hiring qualified staff, a larger share than in any other EU member state in the survey[16]. On the other hand, only 21.7% of firms offered continuous vocational training to their employees in 2015 (latest data available), compared to the EU average of 70.5%[17].

Enter NRRP

The lingering dearth of investment is perhaps the most ominous legacy of the Greek crisis.

The lingering dearth of investment is perhaps the most ominous legacy of the Greek crisis. In 2007-19, public investment declined by 62% in real terms; business investment also fell by 44%; while households cut back on their investment expenditure (on housing, mostly) by 89%. The total capital stock has declined, as the current level of investment is too low to offset depreciation. Clearly, under-investment constrains growth and undermines future prospects. Here lies the special significance of the *Recovery and Resilience Facility* (RRF) for Greece, in addition to the resources available under the *Partnership Agreement 2021-27* and other EU programmes.

True, the country's historical record on absorbing, let alone spending sensibly, the EU funds earmarked for it, has not been great[18]. This time, though, the outlook seems more promising. *Greece 2.0*, the National Recovery and Resilience Plan (NRRP) submitted to the European Commission[19] in April 2021, was explicitly modelled on the report of the Pissarides Committee[20], chaired by LSE Professor and Nobel Laureate Sir Christopher Pissarides, delivered to the Prime

[9] See ElStat Labour Force Survey for the 1981 figure.
[10] In 2020, only 21.5% of children aged 0-2, and 52.1% of children aged 3-5, attended formal child care in Greece, compared to 32.3% and 64.3% respectively in the EU).
[11] The share of those aged 25-34 holding a tertiary education degree or more went from 23.3% in 2000 to 43.7% in 2020.
[12] Specifically, the difference in literacy performance of those aged 25-34 relative to those aged 55-64 was 6 points, while the average difference between the two age groups in all countries participating in the PIAAC survey was 29 points. See p.33 in OECD (2018).
[13] The share of tertiary-educated adults aged 25-34 lacking basic skills was 18.7% in Greece, twice as high as in Lithuania (9.3%), the second worst-performing European country. See Figure 6.2 "Education levels linked with lacking basic skills" in OECD (2019a).
[14] See Figure 4.17 "Skills mix of countries' populations" in OECD (2019a).
[15] See CEDEFOP (2022).
[16] See Figure 3.3 "Employer-reported labour market imbalances" in OECD (2019b).
[17] Greece's disadvantage persisted irrespective of firm size: the share of large firms (250+ employees) offering continuous vocational training to their employees was 68.2%, compared to the EU average of 95.0%.
[18] For a recent analysis, see Makantasi & Valentis (2020).
[19] See *Greece 2.0*.
[20] See Pissarides Committee (2020).

Minister in November 2020. After more than a hundred consultation meetings with government officials[21], the European Commission formally accepted the Plan in June 2021, hailing it as "a comprehensive and adequately balanced response to Greece's economic and social situation"[22].

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Is growth likely to accelerate as a result? Official figures, produced by the Bank of Greece, forecast "a positive contribution [of the NRRP] to the growth rate of GDP by around 1.2 percentage points on average each year, during the period 2021-2026"[23]. Taking this effect into account, *Greece 2.0* projects real GDP to grow by over 4% in 2023 and 2024[24].

Is this realistic? The European Commission's latest economic forecasts (spring 2022) are more cautious[25], while the IMF is even more pessimistic, its overall view being that "over the medium term, growth is expected to converge to 1½ percent, supported by NGEU funds"[26].

Similarly, as regards employment effects, official estimates put the number of new jobs created by *Greece 2.0* at 180,000 to 200,000, which would raise the employment rate by about three percentage points to nearly 66%[27]. The projected decline in the unemployment rate[28] seems rather optimistic if compared to the IMF projection[29], and even more so if set against the European Commission's estimate[30]. These are shown in Table 1.

Does it matter that the Greek government and international organisations have come up with divergent estimates about growth and employment? Actually, there is more at stake than a simple disagreement about numbers. As two acute observers of the Greek economy have put it: "If policies and budgets are calibrated on expected growth rates that are higher than potential, then Greece risks getting into a new competitiveness and debt crisis"[31].

Greece 2.0 provides little information on the nature (and quality) of the jobs that will be created, while it remains silent about the jobs that will inevitably be lost as a result of economic change.

Table 1: Competing forecasts of growth and employment

	Real GDP growth		Unemployment rate	
	2023	2024	2023	2024
Greece 2.0	4.1%	4.4%	11.7%	10.5%
European Commission	3.1%	…	13.1%	…
IMF	2.6%	2.0%	12.4%	11.6%

Source: Greece 2.0 (p. 703), European Commission (2022, p. 71), IMF (2022, p. 33).

Furthermore, *Greece 2.0* provides little information on the nature (and quality) of the jobs that will be created, while it remains silent about the jobs that will inevitably be lost as a result of economic change, accelerated by the shift to remote work in response to Covid-19, and by the 'creative destruction' implicit in the green and digital transitions.

[21] Cited on p. 211 in Theodoropoulou (2022).
[22] See p. 33 in SWD (2021a).
[23] Cited on p. 727 in *Greece 2.0*.
[24] Cited on p. 703 in *Greece 2.0*.
[25] Cited on p. 71 in European Commission (2022).
[26] Cited on p. 8 in IMF (2022).
[27] Cited on p. 19 of *Greece 2.0*. Employment rate in the 20-64 age group.
[28] Cited on p. 703 in *Greece 2.0*.
[29] Cited on p. 33 in IMF (2022).
[30] Cited on p. 71 in European Commission (2022).
[31] See Traa & Bastian (2021).

Effects of the NRRP on jobs

Most investments and reforms planned in the context of Greece 2.0 have implications for jobs and social cohesion, direct or indirect, though of course it is impossible to quantify their effects at such an early stage.

Most investments and reforms planned in the context of *Greece 2.0* have implications for jobs and social cohesion, direct or indirect, though of course it is impossible to quantify their effects at such an early stage. Nevertheless, an analysis of the reforms and investments listed in *Greece 2.0* offers useful insights.

Employment, skills, and social cohesion

The *Increasing job creation and participation in the labour market* component contains a variety of actions aimed to support labour market policies, both active (aimed to boost employment) and passive (mainly income support to the unemployed). The digitalization and general administrative upgrade of Greece's public employment service (*ΟΑΕΔ*) will improve the services it provides to workers and firms. The reform of unemployment benefits is another important action within this component. Specifically, the NRRP will pilot a reformed unemployment insurance benefit, with an additional earnings-related component (of up to €800 per month) in the early phase of receipt, gradually reduced to the current flat rate (€400 per month for up to 12 months). Moreover, a reformed unemployment assistance benefit will also be piloted, reserved for the long-term unemployed on a means-tested basis, with a similar structure (€325 per month in the first four months, gradually reduced to the current €200 per month for 12 months). Both benefits will be made conditional on participation in training, with a view to strengthening job-search incentives. It remains to be seen whether the reforms will also increase coverage, which currently is abysmally low[32]. Labour law reform also belongs here, although recent government initiatives have been criticised for failing adequately to protect platform workers, and for perpetuating the bias for self-employment (the latter running counter to the recommendations of the Pissarides Report)[33].

Given the poor state of Greece's current system of skills formation, it is hard to imagine that the country's performance in terms of both skills and employment can be raised without the successful overhaul of vocational education and training.

The *Education, vocational education, training and skills* component aims to promote reskilling and upskilling (with a special emphasis on digital skills). The reform of vocational education and training is a key element of this. Clearly, given the poor state of Greece's current system of skills formation, it is hard to imagine that the country's performance in terms of both skills and employment can be raised without the successful overhaul of vocational education and training. Policies to promote on-the-job training, provided by firms, as envisaged in the Plan, are also vital. Given that on-the-job training is often 'fungible' (i.e. the skills acquired can be put to use in a different firm than the one providing the training), sharing the costs between firms and the public employment service is appropriate[34].

Furthermore, the *Improve resilience, accessibility and sustainability of healthcare* component aims to modernize hospitals and reform primary care (an area where the gaps in public provision are significant). In addition to that, the component also envisages targeted actions to enhance access to health services, which, as seen earlier, has deteriorated in recent years, especially for the poor and the elderly. The promotion of 'home health care', including via remote access, for patients with chronic conditions, and the reform of mental health and addiction services, will also be funded with RRF resources.

The *Increase access to effective and inclusive social policies* component lists various actions aimed to strengthen social cohesion, and to raise (female) employment. Improving the quality

[32] In 2019, the share of unemployed workers receiving the major unemployment insurance benefit was 18.2%. The unemployment assistance benefit for the long-term unemployed was paid to a few thousand recipients.
[33] On regulatory changes affecting platform workers, see pp. 213-214 in Theodoropoulou (2022). On the preferential treatment of self-employment, see Matsaganis (2022).
[34] See section 8.3.3 in Boeri & van Ours (2021). The point was also made by the Pissarides Committee.

of affordable childcare, and increasing its availability, is a key objective within this component. Other actions are targeted to vulnerable groups, aiming to provide digital skills to the elderly and the disabled, to improve labour market outcomes for members of the Roma minority, and to house the homeless.

The renovation of residential, commercial, and public buildings it will support is set to revitalize the construction sector.

Green transition

The *Renovate* component is an ambitious attempt to redesign the built environment with a view to improving energy efficiency. The renovation of residential, commercial, and public buildings it will support is set to revitalize the construction sector (traditionally one of the main drivers of the national economy, severely affected by both the economic crisis and the pandemic).

The *Power-up* component aims to upgrade the national energy model. The phasing-out of (highly-polluting) lignite mines, traditionally used to power electricity plants, is part of the plan. While Russia's invasion of Ukraine, and the resulting turmoil in energy markets, has led the government to postpone the planned phasing-out of lignite mines[35], there is little doubt that jobs will eventually be lost[36].

The *Recharge & Refuel* component's objective is to promote cleaner, safer, and fairer urban mobility by investing in the installation and operation of electric vehicles' charging stations. The shift away from internal combustion engines is expected to threaten jobs in the maintenance and repair of motor vehicles sector[37].

As administrative procedures become faster, fairer, and more transparent, firms will face lower transaction costs. This will release resources that can be redeployed in productive activities.

Digital transformation

The *Modernize* component concerns investing in the digitalisation of public administration. A more efficient government bureaucracy entails clear benefits for citizens and businesses alike. As administrative procedures become faster, fairer, and more transparent, firms will face lower transaction costs. This will release resources that can be redeployed in productive activities. The net effect on jobs, though difficult to quantify, is likely to be positive.

Similarly, the *Digitalization of businesses* component (with a special focus on small and medium enterprises) aims to help firms reduce operational costs and reallocate resources to productive activities.

Private investment and transformation of the economy

The *Improve the efficiency of the judicial system* component is an example of how a reform could have positive spillovers to job creation. Even though the reform *per se* does not concern the labour market directly, long delays and high costs place a burden on the economy, investment, and jobs creation.

Lastly, the *Strengthen the financial sector and capital markets* component aims to facilitate access to credit for businesses. Given that Greek firms have faced higher credit costs and lower credit opportunities, especially since the onset of the country's debt crisis, it is reasonable to expect that improving access to credit will help revive business investment, a prerequisite to creating more jobs.

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[35] See Koutantou & Triandafyllou (2022).
[36] A recent survey put the number of jobs in lignite mines and in lignite-powered electricity plants at 4,900 and 1,600 respectively. See p. 21 in Miranda Barbosa et al. (2018). While these figures are negligible nationally (0.16% of all jobs in Greece), they are important locally, as the mines and plants are located in two high-unemployment areas of the country (Ptolemaida and Megalopoli).
[37] In 2020, NACE Class 45.2 - Maintenance and repair of motor vehicles supported 30,751 jobs (0.78% of all jobs in Greece).

How realistic is the Greek government's aspiration for *Greece 2.0* "to lead the country's economy, institutions and society into a new era; to spark a paradigm shift towards a more extroverted, competitive and green economic model, matched with a more efficient, less bureaucratic, digitalised state, a more growth-friendly tax system, a dramatically reduced informal economy, and a strong, resilient and inclusive social safety net" [38]?

This is always difficult to assess beforehand, although the incentives to overstate one's case are clear, and Greece's record in spending EU funds wisely (or at all) certainly leaves much to be desired. Nevertheless, the Commission seems to think that the NRRP has potential, especially as regards jobs creation, though it points out that success "will crucially depend on the reform of the lifelong learning system and the extent to which it will help ensure high quality and labour market relevance of offered programmes, accountability of providers and appropriate selection of participants"[39].

Success "will crucially depend on the reform of the lifelong learning system and the extent to which it will help ensure high quality and labour market relevance of offered programmes, accountability of providers and appropriate selection of participants".

Implementation issues

Greece is emerging from a dreadful decade-and-a-half, facing first a debt crisis caused by large fiscal and external imbalances, leading to austerity and a deep recession, followed by an anaemic recovery, followed by the freeze of economic activity in response to the pandemic. As a result, real GDP per capita in 2021 was 21.8% below its 2007 level (while in the EU as a whole it grew by 9.1% over the same period). Another way to describe the country's steep economic decline would be to show that Greece's GDP per capita, which in 2006 stood only 2.2% below the EU-27 average (in purchasing power standards), had by 2020 fallen to 37.6% below that average[40].

Arguably, the key lesson from this debacle is that large budget and current account deficits financed by the accumulation of high levels of debt are a recipe for disaster: they inescapably lead to capital flight, a sudden fall in living standards, social misery, and political instability[41]. Has this lesson been learned? To some extent, it has: the rebalancing of the Greek economy is the key theme of the Pissarides Committee report[42], which the current Greek government has made its own. In many other respects, it has not: influential political and social actors, including large sections of Greece's ruling party, assuming they had ever learned that lesson, now seem to act as if they have already forgotten it. As a result, the path towards rebalancing is slower and more tortuous than it might have been had policy learning been more complete.

This is reflected in the latest in-depth review carried out by the European Commission, whose opening statement is: "Greece is experiencing excessive imbalances. Vulnerabilities relate to high government debt, incomplete external rebalancing and high non-performing loans in a context of low potential growth and high unemployment"[43].

There is evidence that policy learning has taken place on the part of Greece's European partners, too. In sharp contrast to the unrelenting focus on 'internal devaluation' in the early years of the crisis[44], the Commission's in-depth review favourably comments on the 7.5% increase in the minimum wage in May 2022, the second in quick succession after the 2% increase effective from January 2022: "This is set to support nominal wage growth and protect low-income workers in

[38] Cited on p. 19 in *Greece 2.0*.
[39] See p. 44 in SWD (2021a).
[40] See Gross domestic product at current market prices per head of population (HVGDPR) relative to PPS: EU-27 = 100 in European Commission AMECO online database (current version: 16 May 2022).
[41] For an analysis, see Matsaganis (2018).
[42] See Pissarides Committee (2020).
[43] See p. 1 in SWD (2022). See also the similar assessment of the 2021 in-depth review (SWD 2021b).
[44] For an analysis, see chapter 7 in Hemerijck & Matsaganis (forthcoming).

the second half of the year, given that 28% of the total employees in the country receive a minimum wage”[45].

The key lesson from this debacle is that large budget and current account deficits financed by the accumulation of high levels of debt are a recipe for disaster: they inescapably lead to capital flight, a sudden fall in living standards, social misery, and political instability.

As for the second crisis, caused by the lockdowns during the Covid-19 pandemic, this is how the IMF has summarised the main lessons: “The pandemic has confirmed the merits of equal access to basic services – health care, quality education, and digital infrastructure – and of inclusive labor markets and effective social safety nets”[46].

The Commission’s in-depth review takes a similar line, praising the Greek government’s “effective policy response” thanks to which “the pandemic has had a relatively limited impact on the labour market”. In particular, the short-time work scheme *Synergasia*, financed under the *European instrument for temporary Support to mitigate Unemployment Risks in an Emergency* (SURE), supported between March 2020 and February 2021 the incomes of as many as two million employees (over half of Greece’s total employment); national resources continued to do the same, for a limited number of eligible workers, until March 2022[47].

While the importance of the RRF for Greece can hardly be overstated, political debate on the country’s NRRP has been rather subdued. This is partly because most political and social actors rarely go beyond a basic understanding (which they share) that European resources are welcome, and their ‘absorption’ should be maximised, to question which investment projects should be selected for funding, and how they might serve the national interest. Often, the underlying problem seems to be that a national strategy does not always exist, other than in response to the funding opportunities available at EU level. Furthermore, the programmes launched with European resources, even when innovative and successful, are often discontinued when EU funding runs out, rather than being supported by the national budget[48]. Also, the temptation to divide available resources into smaller projects with a greater number of beneficiaries, ostensibly to maximise ‘absorption’, but surely also to maximise the electoral payoff, often results in zero-multiplier investments, with no other benefit than the immediate income transfer.

While the importance of the RRF for Greece can hardly be overstated, political debate on the country’s NRRP has been rather subdued.

Earlier, the publication of the Pissarides Committee report, which provided intellectual coherence to the NRRP, had generated some debate, not so much on the notion that Greece should strive to balance its current account by exporting more (on which there is now broad consensus), but on the appropriate means of achieving this goal[49].

In a rare contribution to the political debate on the NRRP, a former Finance Minister, and socialist MP, raised a number of questions: “Who and on which criteria will decide that support for specific firms strengthens the economy’s extroversion, leading to the gradual substitution of imports and/or increase of exports? Who and on which criteria will decide which firms are viable and must be supported to raise their productivity? Who and on which criteria will decide which programmes will best prepare the country for the great technological challenges of the present such as artificial intelligence? Which green or digital investments will create greater domestic value added over the coming decades? The rebalancing of the contribution of specific industries to the national economy is a necessary condition for strengthening its resilience. This implies

[45] See p. 3 in SWD (2022).
[46] See p. 27 in IMF (2021b).
[47] See p. 9 in SWD (2022).
[48] This was the fate of the popular *Home Help* programme, which was first piloted in 1997, launched nationwide in 2000 with funding from the 3rd Community Support Framework 2000-06, drastically retrenched to the point of extinction in 2011, and relaunched as a municipal service in 2019.
[49] For a summary, see p. 2 in Efstratoglou (2022).

that workers will have to be reallocated to other industries. It follows that they will need retraining in new skills, but not in the way this was done in the past."[50]

A worrying aspect of the current political climate in the country is the widespread belief that the suspension of the EU fiscal rules in 2020-23, to allow member states to cope with the pandemic, subsequently with the economic stimulus, and more recently with the fallout from Russian aggression and war in Ukraine, will be permanent rather than temporary. This is reinforced by the awareness that Greece's public debt, while huge, is mostly held by official creditors, at low interest rates, which contributes to a false sense of security.

Concluding remarks

Whether Greece 2.0 can help heal the wounds of the country's recent crises will hinge on whether its investments kickstart the process of inclusive and sustainable growth.

The Recovery and Resilience Facility (RRF) is a great step forward for the EU, and a golden opportunity for those member states that were most badly hit first by the debt crisis then by the pandemic. Greece, where the investment gap is most yawning, undermining future growth prospects, is due to receive very significant resources that can help arrest the decline and restart the economy on a more sustainable footing. Whether these resources can be spent wisely and efficiently will help determine both the country's future and also Europe's – at least in the sense that the better EU resources are spent in the Southern periphery (and elsewhere), the greater the willingness of Northern taxpayers to contribute to EU-wide collective efforts, and the higher the likelihood that *NextGenerationEU* will be succeeded by similar endeavours in the future (a *European Climate Change* fund?), rather than remain the exception. So, the stakes are high.

Greece 2.0, the country's NRRP embodies the contradictions of the current juncture. On the one hand, there is a consensus that the Greek economy should rebalance, by pursuing a growth strategy that relies much more on exports than in the recent past, and much less on domestic consumer demand fuelled by debt. On the other hand, the legacy of the past weighs heavily on social and political actors, limiting their room for manoeuvre: economic decline, under-investment, a low-capacity public sector, an exhausted workforce lacking the necessary skills, an ageing society, a polarised polity, and a pervasive lack of trust. The list is daunting.

Whether *Greece 2.0* can help heal the wounds of the country's recent crises will hinge on whether its investments kickstart the process of inclusive and sustainable growth. The need for it is greater than ever. There is an awareness that past mistakes must be avoided. Technically, *Greece 2.0* is competently drafted, as its reception by the European Commission indicates. Still, critical issues abound. It remains to be seen how the above will play out over the next few years.

[50] See Sachinidis (2022).

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