Hellas '20:20
Supporting investment in the Greek economy—a foreign investor perspective

October 2011

BCG
THE BOSTON CONSULTING GROUP
We set-out to answer three key questions

Why is foreign direct investment critical for Greece?

What is the foreign investor perspective on our country?

How can we "turn the crisis into an opportunity"?
A few introductory words from the field

"There is no levelled playing field; no predictable framework for business to operate in"

"Unquantifiable tax and legal risk is a deterrent for investors"

"Very capable and entrepreneurial young talents; but a sense of common purpose and trust that seems to be fading away"

"Sometimes even we as companies are not adapting fast enough; there is little innovation in accepted work practices like work-from-home or part-time work"

"The vague licensing regime has cost us €100M in fines and additional expenses over the last five years: Our company does not want to invest in Greece any more"

"We need to retrieve the sense of purpose & enthusiasm experienced before the Olympics"

Source: Interviews
Executive summary (I)

This is a uniquely sourced study
- Based on extensive interviews with leading business representatives as well as analysis of international best-practices

Retaining existing investments and attracting new is a must for the Greek economy to recover from the crisis
- Direct benefits in terms of jobs and tax revenues, indirect contribution to competitiveness and exports
- Multiplier effect on backward linked industries increases the impact of an investment beyond its initial impact

Foreign investors are already major contributors to the Greek economy
- 27% of employment in corporations with 250+ employees, 33% of total corporate income tax, vast majority of corporate profitability
Executive summary (II)

Significant room for improvement exists in attraction of FDI

- Attracting FDI in the short-term dependent on accelerating catalyst to cut-down red tape and increase tax predictability
- Concurrently focus on growth-driving sectoral priorities where we have competitive advantage: Tourism and culture, agribusiness, healthcare services and energy
- Commit longer-term on robust-enabling platform: Labor market, performance culture in public and private sector

Experiences of other countries, that managed their way out of the crisis, highlight importance of FDI as growth driver: Implementation is key

Implementation success relies on three pillars: Commitment, empowered fast-decision making and business-like PMO approach

Hellas 2020: 20 recommendations, supported by 60+ action points, to develop FDI in Greece
Internal and external perspectives on the Greek economy

Interviews with key foreign investors and stakeholders

- Consumer Goods
- Retail
- Financial Services
- Tourism
- Shipping
- Telecom
- Industry
- Private Equity Funds
- Invest in Greece
- Ministry of Development,

Study conducted in February-May 2011

The Boston Consulting Group expertise

- IMF
- World Bank
- OECD
- World Economic Forum
- UNCTAD
- Statistic Databases: EIU, Eurostat, HellasStat
- SEV, IOBE
- Bank of Greece
- Other central banks
- LSE, IMD

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A lot has progressed already

Business friendly Greece

New investment law

Fast-track Law

One stop shops

Mid-term program
  • Privatizations

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Importance of foreign direct investments (FDI) in Greece

Performance of attracting FDI so far

The view from the field

Best Practices: lessons from crisis exit strategies

Recommendations

Appendix
  • International illustrations
  • Detailed measures
Investment can contribute to a virtuous circle towards competitiveness improvements

Foreign investment is a critical component of the capital supply

Source: BCG analysis

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Future relies on FDI and exports

<table>
<thead>
<tr>
<th>Contribution to GDP (2010)</th>
<th>Future trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of GDP</td>
<td></td>
</tr>
<tr>
<td>120</td>
<td></td>
</tr>
<tr>
<td>90</td>
<td></td>
</tr>
<tr>
<td>60</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td></td>
</tr>
<tr>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Private consumption</td>
<td>Future consumption: Conscious due to freeze of wages, declining consumer sentiment, banks' deleveraging strategy</td>
</tr>
<tr>
<td>76</td>
<td></td>
</tr>
<tr>
<td>Government consumption</td>
<td>Government consumption: Slow down given pressure on public spending and fiscal adjustments</td>
</tr>
<tr>
<td>19</td>
<td></td>
</tr>
<tr>
<td>Gross fixed investment</td>
<td>Gross fixed investment: Turn into an important contributor to GDP, especially through foreign direct investments</td>
</tr>
<tr>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Trade Balance</td>
<td>Trade balance: Should potentially turn into a major growth engine as a result of potential competitiveness improvements</td>
</tr>
<tr>
<td>-8</td>
<td></td>
</tr>
</tbody>
</table>

Source: EIU, BCG analysis
FDI is already a critical part of the economy (I)

Share of foreign-controlled companies in the Greek economy (2009)

<table>
<thead>
<tr>
<th></th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment in private sector</td>
<td>5</td>
</tr>
<tr>
<td>Employment in Large Corps</td>
<td>27</td>
</tr>
<tr>
<td>Non-Financial Assets</td>
<td>32</td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>33</td>
</tr>
</tbody>
</table>

Retention of these investments and attraction of new ones a key priority

1. The analyses includes only SA and Ltd companies and assumes no foreign-control in companies with less than 11 employees.
Note: For companies employing between 11 and 199 employees the conclusions were drawn from a sample number of companies. Percentages calculated with the total amounts (employment, assets and taxes) regardless of foreign ownership (majority foreign owned or strategic partnerships)
Source: HellasStat, IMF, ICAP, BCG analysis
FDI is already a critical part of the economy (II)

Foreign-controlled companies had resilient corporate profits during the crisis

Note: Percentages calculated with the total amounts (employment, assets and taxes) regardless of penetration of foreign ownership in the company (majority foreign owned or strategic partnerships)
Source: HellasStat, BCG analysis

1. The analyses includes only SA and Ltd companies

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Significant impact of big investments on GDP beyond the initial purchase price

Impact of "Prasonisi" resort investment on GDP

<table>
<thead>
<tr>
<th></th>
<th>Annual (2012–6)</th>
<th>Annual (2017 and beyond)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€M</td>
<td>€M</td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>136</td>
<td>162</td>
</tr>
<tr>
<td>Indirect</td>
<td>84</td>
<td>81</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>220</td>
<td>243</td>
</tr>
<tr>
<td>Annual FTEs</td>
<td>~3,900</td>
<td>~4,200</td>
</tr>
<tr>
<td>GDP Impact Multiplier</td>
<td>x1.68 of which</td>
<td>x 1.5 (annual)</td>
</tr>
<tr>
<td></td>
<td>x1.1² in Greece</td>
<td></td>
</tr>
<tr>
<td>Annual contribution to GDP (%)</td>
<td>0.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

1. Equal to the increased consumption from the households due to the direct and indirect effects. 2. Lower than (Total impact/Direct Impact) since out of 1B€ initial investment only 68% assumed to be spent inside Greece.

Note: Real values for 2011 shown; Exchange rate as of 31 Jan 2011 has been used.

Source: EIU, BCG analysis
Significant upside potential to GDP

Potential annual FDI deal inflow ➔ up to €3B p.a.

Potential reinvested earnings and Greenfield ➔ up to €1B p.a.

Significant annual impact on GDP

Source: BCG analysis
## Significant upside potential to GDP

<table>
<thead>
<tr>
<th>Sector</th>
<th>Foreign Assets' Penetration</th>
<th>Potential FDI Deal Flow (€B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>&lt;1%</td>
<td>1.8</td>
</tr>
<tr>
<td>Energy, electricity, water</td>
<td>&lt;1%</td>
<td>4.0</td>
</tr>
<tr>
<td>Hospitals</td>
<td>25%</td>
<td>0.7</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>9%</td>
<td>7.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>27%</td>
<td>5.2</td>
</tr>
<tr>
<td>Transportation</td>
<td>24%</td>
<td>1.1</td>
</tr>
<tr>
<td>Entertainment</td>
<td>50%</td>
<td>2.0</td>
</tr>
<tr>
<td>Financial Sector</td>
<td>30%</td>
<td>2.0</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>50%</td>
<td>1.0</td>
</tr>
</tbody>
</table>
| **Total**                             | **€ 25B**                   | **€4B/y**                    | Up to 1.5% GDP impact

Tourism, Hospitals, Manufacturing, Education & Agriculture present Greenfield opportunities

Source: Hellas Stat, IMF Review, BCG analysis

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Performance of attracting FDI so far

The view from the field

Best Practices: lessons from crisis exit strategies

Recommendations

Appendix
  • International illustrations
  • Detailed measures
Poor FDI attraction over past decade, well below peers

<table>
<thead>
<tr>
<th>Region</th>
<th>FDI inflows as % of GDP (2004–10)</th>
<th>Min</th>
<th>Max</th>
<th>Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td></td>
<td>0.3</td>
<td>2.1</td>
<td>1.0</td>
</tr>
<tr>
<td>EU Average</td>
<td></td>
<td>2.1</td>
<td>6.6</td>
<td>3.7</td>
</tr>
<tr>
<td>South European Countries (avg.)</td>
<td></td>
<td>0.7</td>
<td>4.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Regional Competitors (avg.)</td>
<td></td>
<td>2.2</td>
<td>14.8</td>
<td>8.1</td>
</tr>
</tbody>
</table>

Key sectors with very small FDI penetration:
- Tourism
- Utilities
- Construction
- Hospitals
- Transportation

Source: EIU, Eurostat, BCG analysis
Increasing competition from neighboring countries; Greece captures less than its fair share

**Greece has been left out from the regional FDI boom**

Inward FDIs (base year 2001)

**Share in Region’s GDP (GDP1 (%)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Hotels and Restaurants</th>
<th>Construction and Real Estate</th>
<th>Manufacturing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>11</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>52</td>
<td>49</td>
<td>18</td>
</tr>
<tr>
<td>Romania</td>
<td>21</td>
<td>31</td>
<td>37</td>
</tr>
<tr>
<td>Turkey</td>
<td>16</td>
<td>12</td>
<td>44</td>
</tr>
</tbody>
</table>

**Neighbours capturing dominant shares in most industries**

Share in FDI (% of total cumulative 2005–09 for the region)

<table>
<thead>
<tr>
<th>Country</th>
<th>Hotels and Restaurants</th>
<th>Construction and Real Estate</th>
<th>Manufacturing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td></td>
<td>27.5</td>
<td>0.9</td>
</tr>
<tr>
<td>Bulgaria</td>
<td></td>
<td>3.6</td>
<td>20</td>
</tr>
<tr>
<td>Romania</td>
<td></td>
<td>13.9</td>
<td>23</td>
</tr>
<tr>
<td>Turkey</td>
<td></td>
<td>55.0</td>
<td></td>
</tr>
</tbody>
</table>

1. GDP in current prices

Source: EIU, National Statistical Offices, OECD Statistics, IMF, BCG analysis
Presence of foreign companies in Greece remains low

**Employment in foreign enterprises by country**

<table>
<thead>
<tr>
<th>Country</th>
<th>Total private employment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>5</td>
</tr>
<tr>
<td>Portugal</td>
<td>7</td>
</tr>
<tr>
<td>Italy</td>
<td>8</td>
</tr>
<tr>
<td>Spain</td>
<td>9</td>
</tr>
<tr>
<td>Italy</td>
<td>5</td>
</tr>
<tr>
<td>Romania</td>
<td>19</td>
</tr>
<tr>
<td>Poland</td>
<td>22</td>
</tr>
</tbody>
</table>

**Breakdown of large corporations (>250 employees) by ownership, 2009**

Total corporate assets (%)

- Local
- Foreign

Sectors with lowest penetration:
- Construction
- Cons. goods
- Energy, Elect., water
- Elect., water
- Entertainment
- Hospitals
- Hotels & Rest.
- Media
- Manufacturing
- Pharma
- Telecom
- Retail
- Transportation
- Other Wholesale
- Other

Note: List of large corporations in Greece comprises of 480 companies

1. Other include: Agriculture, Fishing, Mining, Education, Business services, Environmental management, Real Estate

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Key reason: High fragmentation of the domestic market

Breakdown of employment by country and company size

Total private sector employment (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>1–9</th>
<th>10–49</th>
<th>50–250</th>
<th>&gt;250</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece¹</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU-Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turkey²</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Breakdown of employment in Greece by sector and company size

Employment (%)

<table>
<thead>
<tr>
<th>Sector</th>
<th>&gt;250</th>
<th>50–250</th>
<th>11–49</th>
<th>1–9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotels &amp; Rest</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Media</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other³</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

High concentration of employment in small businesses and fragmentation of sectors

1. For Greece the breakdown is 1–11 and 12–49 employees
2. Data for Turkey based on BCG analysis
3. Other includes: agriculture, mining, environmental management, telecommunication, construction, and business services

Source: Hellas Stat, Statistical Offices of Bulgaria & Turkey, BCG analysis

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Illustration of high fragmentation in one of the priority sectors: Hotels and restaurants

Low penetration of branded hotels in Greece—Branded hotels' capacity

Bound to change since the current Investment Law supports only big scale investments

Source: Intercontinental Hotels Group annual report 2007, Alpha bank sectoral reports, BCG analysis

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Room for improvement in the attraction of FDIs
Greenfield more compelling to create new jobs

Breakdown of FDIs by type of investment (cum. 2006–09)

<table>
<thead>
<tr>
<th>Country</th>
<th>Greenfield (%)</th>
<th>M&amp;A (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>29</td>
<td>71</td>
</tr>
<tr>
<td>Romania</td>
<td>56</td>
<td>44</td>
</tr>
<tr>
<td>Turkey</td>
<td>26</td>
<td>74</td>
</tr>
<tr>
<td>Poland</td>
<td>58</td>
<td>42</td>
</tr>
</tbody>
</table>

Note: Data for 2006 only for Poland
Source: Bank of Greece, Romanian Statistical Office, ISPAT, UNCTAD, BCG analysis and estimates
FDI flows mainly to large but also smaller "skilled labour markets"

2009: FDI focused on large economies and access to quality labour

Top 20 Inward FDI Countries ($B)

1. United States: 129.9
2. China: 95.0
3. France: 59.6
4. Hong Kong: 48.4
5. United Kingdom: 45.7
6. Russia: 38.7
7. Germany: 35.6
8. Saudi Arabia: 35.5
9. India: 34.6
10. Belgium: 33.8
11. Italy: 30.5
12. Luxembourg: 27.3
14. Brazil: 25.9
15. British Virgin Islands: 25.3
16. Ireland: 25.0
17. Australia: 22.6
18. Canada: 18.7
19. Singapore: 16.8
20. Spain: 15.0

Source: EIU, UNCTAD, BCG analysis

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  • International illustrations
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Facts confirm executives' views: Greek business environment is unattractive for investors (I)

**Business Infrastructure**
- Corruption Index: 7
- Registering property: 0
- Time to start a business: 7
- Cost to start a business: 0

**Tax Environment**
- Corporate Income Tax (%): 7
- Tax Risk Index: 0
- Time to pay tax obligations: 7
- Number of payments: 0

**Labor Market**
- Manufacturing labor cost: 7
- Rigidity for employment: 0
- Limit on overtime: 0
- Premium for overtime: 7

**Physical Infrastructure**
- Airport density: 7
- Ports quality: 0
- Railroad quality: 7
- Road quality: 0
- Logistics competence: 7
- Communication technology: 0

**Human Capital**
- Universities enrollment: 7
- International skills: 0
- Language skills: 7
- R&D people: 0
- Availability of skilled labor force: 7
- Difficulty of firing: 0
- Premium for overtime: 7

Source: Executive interviews, EIU, World Bank, Eurostat, OECD, WEF
Note: Spider chart indices: 7 = Best, performance 0 = Worse performance

"Connections are the only way to get things done quickly"
"No clear framework for doing business"

"Unquantifiable tax risk is a deterrent for investors"
"No sense of consequence of tax evasion; it is regarded as ethically acceptable."

"Spirit of protectionism allows external union intervention in the operations of the company"
"Little innovation in accepted work practices like work-from-home or part-time-work"

"Good infrastructure; opportunities to leverage in regional airports."

"I'm constantly impressed by the highly entrepreneurial staff in this company"
"Greece is a centre of excellence for several activities within our European network"
"Need to better align education with market needs"
## Statistics definition and sourcing

<table>
<thead>
<tr>
<th>Statistics</th>
<th>Definition</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corruption Index</td>
<td>Index on overall extent of corruption on public and private sector</td>
<td>Transparency International Corruption 2010</td>
</tr>
<tr>
<td>Time to start a business</td>
<td>Days</td>
<td>World Bank Group Doing Business 2010</td>
</tr>
<tr>
<td>Cost to start a business</td>
<td>% of capital invested</td>
<td>World Bank Group Doing Business 2010</td>
</tr>
<tr>
<td>Registering property</td>
<td>Ranking based on procedures, time and cost needed</td>
<td>World Bank Group Doing Business 2010</td>
</tr>
<tr>
<td>Corporate tax</td>
<td>%</td>
<td>EIU 2011</td>
</tr>
<tr>
<td>Labor tax and contributions</td>
<td>% on commercial profits</td>
<td>World Bank Group Doing Business 2010</td>
</tr>
<tr>
<td>Payments</td>
<td>Number of payments per year</td>
<td>World Bank Group Doing Business 2010</td>
</tr>
<tr>
<td>Time to complete tax associated processes</td>
<td>Hours per year</td>
<td>World Bank Group Doing Business 2010</td>
</tr>
<tr>
<td>Tax Risk Index</td>
<td>Level, predictability and transparency</td>
<td>EIU 2010</td>
</tr>
<tr>
<td>Manufacturing labor cost</td>
<td>Per worker per hour</td>
<td>EIU 2010</td>
</tr>
<tr>
<td>Limit on overtime under normal circumstances</td>
<td>Hours per year</td>
<td>World Bank Group Doing Business 2010</td>
</tr>
<tr>
<td>Premium on overtime</td>
<td>% on normal wage</td>
<td>World Bank Group Doing Business 2010</td>
</tr>
<tr>
<td>Rigidity of Employment Index</td>
<td>Regulation of employment and rigidity of working hours</td>
<td>World Bank Indicators</td>
</tr>
<tr>
<td>Difficulty in Firing</td>
<td>Regulation (procedures), cost</td>
<td>World Bank, Ease of business</td>
</tr>
<tr>
<td>Universities Enrollment Index</td>
<td>% of corresponding population</td>
<td>EIU 2007</td>
</tr>
<tr>
<td>Availability of skilled labor force Index</td>
<td>Readily available labor force to cover employers needs</td>
<td>IMD Competitiveness Index 2010</td>
</tr>
<tr>
<td>R&amp;D people</td>
<td>Per million population</td>
<td>World Bank Indicators</td>
</tr>
<tr>
<td>Language skills Index</td>
<td>Language skills of human capital as perceived by employers</td>
<td>IMD Competitiveness Index 2010</td>
</tr>
<tr>
<td>International Experience Index</td>
<td>International experience of senior managers as perceived by employers</td>
<td>IMD Competitiveness Index 2010</td>
</tr>
<tr>
<td>Airport Density Index</td>
<td>Per million population</td>
<td>WEF Enabling trade report 2010</td>
</tr>
<tr>
<td>Logistics Competence Index</td>
<td>Quality of services as transport operators and customs brokers</td>
<td>WEF Enabling trade report 2010</td>
</tr>
<tr>
<td>Communication technology Index</td>
<td>Com. tech. (voice and data) ability to cover business needs</td>
<td>IMD Competitiveness Yearbook 2010</td>
</tr>
<tr>
<td>Road Quality Index</td>
<td>Road density</td>
<td>EIU 2010</td>
</tr>
<tr>
<td>Railroad Quality Index</td>
<td>Railroads density</td>
<td>EIU 2010</td>
</tr>
<tr>
<td>Ports Quality Index</td>
<td>Ports infrastructure quality</td>
<td>EIU 2010</td>
</tr>
</tbody>
</table>

Source: BCG Analysis
How do investors and the market view us?

- **Business infrastructure**
  - "Complex regulatory framework"
  - "Unpredictable legal risk"
- **Tax environment**
  - "Unquantifiable tax risk"
  - "Unpredictable future tax regime"
- **Labor market**
  - "Rigid"
  - "Little innovation even from businesses"
- **Infrastructure**
  - "Opportunities to further develop regional airports etc."
- **Human capital**
  - "Centers of excellence for international companies"
  - "Need to better align education with market needs"

"Need for catalytic changes"

Source: BCG analysis, interviews

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  • Detailed measures
Many countries have used FDIs to exit the crisis
Rapid reaction & high-level commitment are common patterns

<table>
<thead>
<tr>
<th>Promotion/communication</th>
<th>Swift post-crisis reaction and sustained commitment to FDI attraction, with support at highest political level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Clear &quot;country branding&quot; strategy</td>
</tr>
<tr>
<td></td>
<td>• Active promotion efforts, set-up of powerful Investment promotion agency</td>
</tr>
<tr>
<td></td>
<td>• Involvement of foreign investors in investment-related policy process</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sectoral measures</th>
<th>Increased degree of competition in the internal market through sectoral deregulation, overall liberalization and privatization movement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Improving overall economic efficiency and opening up opportunities for foreign investment</td>
</tr>
<tr>
<td></td>
<td>• External pressure (e.g. IMF, NAFTA) facilitating transformation of competitive landscape</td>
</tr>
<tr>
<td></td>
<td>• Well-targeted tariff reduction</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business environment</th>
<th>Resolute measures to improve business environment, with significant impact achieved over reasonable time</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Dedicated teams to support effort to cut down bureaucracy</td>
</tr>
<tr>
<td></td>
<td>– Clear targets and measurable results</td>
</tr>
<tr>
<td></td>
<td>• Consolidation of national authorities related to business investments</td>
</tr>
<tr>
<td></td>
<td>• Simplification, modernization and stabilization of the legal framework</td>
</tr>
<tr>
<td></td>
<td>• Active tax benchmarking, and adjustments when relevant</td>
</tr>
<tr>
<td></td>
<td>• Efforts on human capital, with long-term pay-off</td>
</tr>
</tbody>
</table>

Illustrations of South Korea 1998, Mexico in the 90's and Turkey after the 2001 crisis

Source: World Bank, IMF, interviews, North American Foreign Trade Agreement, BCG analysis
South Korea accelerating reforms to attract FDI in order to find a way out of the Asian crisis (I)

Net FDI inflows

GDP growth and unemployment

Quick action & bold moves to capture FDI flows, rebalanced growth rate & curbed unemployment

Source: WTO; OECD; BCG analysis

The Boston Consulting Group
South Korea accelerating reforms to attract FDI in order to find a way out of the Asian crisis (II)

**Promotion/communication**
- Representation of foreign companies in policy dialogue to ensure competitiveness of FDI policies
  - Advisory Council for foreign direct investment
  - Extensive dialogue with private sector on Trade Policy directions

Consolidation of dispersed trade functions of the government under single accountability of Ministry of Foreign Affairs & Trade (MOFAT)

**Sectoral measures**
- Decrease of tariffs in line with WTO1 and ITA2 and import restrictions in key industries (automotive, IT)
- Full opening of Services markets: Financial services, Telecommunications, Broadcasting, Maritime & Air transportation
- Break down of state owned electricity company to 5 subsidiaries and announcement of privatization plan
- Partial opening of Agri-sectors to foreign ownership (Fishing, Cattle raising, Meat processing)

**Business environment**
- Full transformation of the FDI legislation (New Foreign Investment Act - 1998)
  - Simplification of procedures and one stop service for foreign investors
    - 51% reduction of bureaucratic procedures
  - Foreign Investment Zones (FIZs)
    - Corporate income tax: full exemption for first 7 years of profit & 50% reduction for next 3 years
    - Local taxes (acquisition, property, registration & land) full exemption for first 5 years and 50% reduction for next 3 years (local governments can extend for up to 15 years)
    - Customs duties, special excise & value-added taxes: full exemption on imported capital goods (extendable for 3 years with Finance Minister’s approval)
  - Guaranteed dividend remittances
  - Protection of FDI expropriations
  - Set-up of Commission on Foreign Direct Investment Policy under MOFAT responsibility
    - Consists of representatives of various agencies and ministries heads of local government
    - Oversees all policies related to FDI

1. World Trade Organization 2. Information Technology Agreement
Source: UNCTAD “Assessment of Liberalization and Facilitation of FDI in Thirteen APEC Economies”, 2010, BCG analysis

THE BOSTON CONSULTING GROUP
Mexico adapting investment friendly policies in a concerted effort to revive its stagnating economy (I)

FDI measures boosted economic growth and secured sustainable inflow during the 1994 crisis

Source: United Nations Reports; BCG analysis; World Bank Database

The Boston Consulting Group
**Promotion/communication**

| Sectoral measures | Introduction of Advisory Council¹ to communicate state's efforts for a collaborative relationship with private sector  
- Representatives of labor, academia and business areas  
- Discuss priorities and interests and inform on progress |

| Sectoral measures | Liberalization and removal of barriers  
- Trucking and bus transportation: complete deregulation at federal level, eliminating price and route restrictions  
- Land tenure: lift on ban for foreign investor to own land, change in land tenure rules to enable all forms of rural business ventures |

| Business environment | Opening of markets to private investors  
- Ports: Opened possibilities for private sector to obtain concessions, merge administration for ports  
- Electricity: Legal basis for cogeneration and self-supply by independent producers  
- Gas: Allowed private transport, storage and distribution of natural gas  
- Airport operation: Opened to private investors |

| Business environment | Improvement of legal environment  
- Ratification of NAFTA  
  - Provide security to investors and serve as anchor for the whole reform process  
  - Pressure for further reforms to withstand competition in North America  
- Set-up the Economic Deregulation Unit outside of traditional structures of bureaucracy  
  - 15 economists and lawyers, directly accountable to Trade minister, and clearly empowered  
- Federal Administrative Procedure Law  
  - Streamlining regulatory processes by eliminating procedures required for a business by 45% (through complete inventory of business procedures and obligation for each minister to submit a justification for each one)  
  - Regulating all interactions between government and private parties |

---

1. NAFTA Advisory Council  

---

**The Boston Consulting Group**
Turkey using FDI attraction as part of structural reforms that helped to recover form 2001 crisis (I)

**Net FDI inflows**

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI Inflows ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>982</td>
</tr>
<tr>
<td>2001</td>
<td>3,352</td>
</tr>
<tr>
<td>2002</td>
<td>1,082</td>
</tr>
<tr>
<td>2003</td>
<td>1,702</td>
</tr>
<tr>
<td>2004</td>
<td>2,785</td>
</tr>
<tr>
<td>2005</td>
<td>10,031</td>
</tr>
<tr>
<td>2006</td>
<td>20,185</td>
</tr>
<tr>
<td>2007</td>
<td>22,046</td>
</tr>
</tbody>
</table>

**GDP growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth (%)</th>
<th>Unemployment Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>6.7</td>
<td>8.6</td>
</tr>
<tr>
<td>2001</td>
<td>-5.7</td>
<td>10.6</td>
</tr>
<tr>
<td>2002</td>
<td>-7.5</td>
<td>10.8</td>
</tr>
<tr>
<td>2003</td>
<td>5.3</td>
<td>9.4</td>
</tr>
<tr>
<td>2004</td>
<td>8.4</td>
<td>11.1</td>
</tr>
<tr>
<td>2005</td>
<td>6.9</td>
<td>10.9</td>
</tr>
<tr>
<td>2006</td>
<td>4.7</td>
<td>10.5</td>
</tr>
<tr>
<td>2007</td>
<td>-7.5</td>
<td>-7.5</td>
</tr>
</tbody>
</table>

Continuous measures towards an open and business friendly market skyrocket FDI inflows

---

1. Investment Support and Promotion Agency of Turkey
Source: Central Bank of Turkey; EIU; OECD; UNCTAD

THE BOSTON CONSULTING GROUP
Turkey using FDI attraction as part of structural reforms that helped to recover from 2001 crisis (II)

<table>
<thead>
<tr>
<th>Promotion/communication</th>
<th>Massive investment to promote Turkey as a business friendly country</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Set-up of Investment Support and Promotion Agency, with highly qualified staff and direct reporting line to the Prime Minister</td>
</tr>
<tr>
<td></td>
<td>– Effective one-stop shop for foreign investors</td>
</tr>
<tr>
<td></td>
<td>• Set-up of the Investment Advisory Council where Pr. Minister meets with representatives from major private sector industries and public entities to receive feedback for areas of improvement</td>
</tr>
<tr>
<td></td>
<td>– Yearly meeting, with clear follow-up actions and high visibility (e.g., online minutes)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sectoral measures</th>
<th>Development of business-friendly infrastructures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Availability of developed areas for manufacturing activities</td>
</tr>
</tbody>
</table>

|                   | Liberalization and privatization |
|                   | 15 economists and lawyers, directly accountable to Trade minister, and clearly empowered |
|                   |   – Privatization High Council and Privatization Administration to facilitate decision making and manage process |
|                   | • Energy: Partial liberalization of the energy market, opening of capital of the incumbent operator |
|                   | • Tourism: Restore / Operate / Transfer for historical assets; allocation of public land through 75-years leases to private consortia |

<table>
<thead>
<tr>
<th>Business environment</th>
<th>Improvement of legal environment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Abolition of permits for company formation for foreign investors (2003—formerly required transactions with 20 gov. entities)</td>
</tr>
<tr>
<td></td>
<td>• Law to enhance privatization processes by introducing Council to accelerate decision-making</td>
</tr>
<tr>
<td></td>
<td>• Guaranteed equal treatment of investors</td>
</tr>
</tbody>
</table>

|                  | Bold tax reform (2006) |
|                  | • Ports: Opened possibilities for private sector to obtain concessions, merge administration for ports |
|                  | • Electricity: Legal basis for cogeneration and self-supply by independent producers |
|                  | • Gas: Allowed private transport, storage and distribution of natural gas |
|                  | • Airport operation: Opened to private investors |

Source: OECD Doing Business Reform Case Study: Turkey, Invest in Turkey, Cesran Turkey’s Post-Crisis reforms, BCG analysis

THE BOSTON CONSULTING GROUP
Agenda

Importance of foreign direct investments (FDI) in Greece

Performance of attracting FDI so far

The view from the field

Best Practices: lessons from crisis exit strategies

Recommendations

Appendix
  • International illustrations
  • Detailed measures
## 20:20 pre-requisites to attract investment in Greece

<table>
<thead>
<tr>
<th>Accelerating catalysts</th>
<th>Short-term wins</th>
<th>Mid to longer-term targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3. Accelerate legal enforcement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Reinforce tax transparency and predictability</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Increase efficiency of tax examination and collection</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. Reinforce investor communication</td>
<td></td>
</tr>
<tr>
<td>Growth-driving sectorial Priorities</td>
<td>7. Define vision as a tourism destination</td>
<td>18. Set-up HR-excellence &amp; benchmarking in civil service</td>
</tr>
<tr>
<td></td>
<td>8. Accelerate regulation streamlining for tourism</td>
<td>19. Improve match between supply of graduates and job market needs</td>
</tr>
<tr>
<td></td>
<td>9. Leverage cultural assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10. Actively support agri-business</td>
<td>20. Attract foreign universities in fields of differentiation</td>
</tr>
<tr>
<td></td>
<td>11. Facilitate investments in healthcare</td>
<td></td>
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<td></td>
<td>12. Achieve renewable energy goals</td>
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<tr>
<td>Enabling platform</td>
<td>15. Improve labor market flexibility</td>
<td></td>
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<td></td>
<td>16. Develop performance management in universities</td>
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</tr>
<tr>
<td></td>
<td>17. Create high-profile industry-research clusters</td>
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</tr>
</tbody>
</table>

Source: BCG analysis
Agenda

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Six key "accelerating catalysts" public policy action considerations for discussion

**Cut-down bureaucracy**

1. Regulatory simplification council with a clear mandate
2. Invest-in-Greece fully-empowered for completion of investment procedures and active promotion

**Tax**

3. Simplification/codification of tax law

**Minimize corruption**

4. Fully electronic interaction with public agencies

**Legal**

5. Accelerate legal enforcement through technology/judges' business training/expenses accountability
Cut-down bureaucracy: Concrete efforts with tangible results

- "Zero base approach": Disband unless needed
- Regulatory Reform Committee (RRC) under Prime Minister
- Private sector intensely involved with each ministry
- Each ministry to prove need for its regulation

- Government communicated commitment to decrease procedures by 25% between 2003–2007
- Standard measuring model: Burden by ministry
- Dedicated inter-ministerial project team (IPAL)
- Independent watchdog (Actal) to assess ministries

- FDI stock grew x2.5 ($66B) in five years ('98 –'03)
- GDP growth from -7% to average of 7% annual growth for the same period

Source: OECD, BCG analysis, Korean Institute of Industrial Economics and Trade, Administrative Simplification in Netherlands, BCG analysis
Reengineering by type of investment critical for business-focused reform

<table>
<thead>
<tr>
<th>Sectors Prioritization</th>
<th>Starting a business</th>
<th>Land pre-authorisation</th>
<th>Installation Permit</th>
<th>Operations License</th>
<th>Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism</td>
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<td>...</td>
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<tr>
<td>One-stop shop</td>
<td></td>
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<tr>
<td>Fast-track law expedites the process for strategic investments</td>
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</tr>
</tbody>
</table>

Horizontal approach critical for streamlining procedures

Progress so far

Source: BCG Analysis
MIDA with sector-targeted model and increased authority

<table>
<thead>
<tr>
<th>Process ownership</th>
<th>Sector set-up</th>
<th>Strategic location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process ownership for</td>
<td>Set-up aligned by key sectors</td>
<td>12 offices in Asia</td>
</tr>
<tr>
<td>• Registration</td>
<td>• Chemicals</td>
<td></td>
</tr>
<tr>
<td>• Licensing</td>
<td>• Life-Sciences</td>
<td></td>
</tr>
<tr>
<td>• Other requirement</td>
<td>• ICT</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Electronics</td>
<td>4 offices in United States</td>
</tr>
<tr>
<td></td>
<td>• Machinery and Engineering</td>
<td>6 offices in Europe</td>
</tr>
<tr>
<td>Approval authority for routing investments</td>
<td>• Transport</td>
<td>Corporate set-up and talent attraction</td>
</tr>
<tr>
<td></td>
<td>• Foods</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Wooden paper</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Non-metalic minerals</td>
<td></td>
</tr>
<tr>
<td>FDI stock grew by~70% ($75B) in the period 2005–2008</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: BCG Analysis
Amending the Turkish tax system

Key levers

Tax Council
- Conducted a study on corporate tax law and the system
- Drafted a new law

Alignment with international laws and trends

Dealt with public's opposition due to alleviation of exemptions

Results

Increase in the amount of declared taxable income

Anti-abuse legislation helped enhance efficiency of tax collection

Widened the income subject to tax for foreign-controlled companies
## e-Administration: Singapore streamlined its filing process through online services

### Starting point

- **Multiple forms** (94 different company forms) causing confusion, delays and need for assistance from professional firms (increased costs)
- **Fixed service hours, long waiting lines**
- **Manual update of the system leading to human error and long processing periods**

### Key levers

- Establishment of Bizfile eService platform for 284 electronic services on online registration filing, and information retrieval system
  - Reduction of labor intensive elements
  - Pre-population of forms already existing in the system
  - Verification of data entered (ID numbers, addresses, …)
  - One stop shop filing process to cure multiple filing of same forms

### Results

- **Acceleration of procedures**
  - Updating of system down to 30mins from 4–21 days
  - Registering a company: Down to 15mins from 24h
  - Incorporating a company: Down to 15mins from five days

- **Significant drop of registering costs from $100–$50 and incorporation costs from $1,200–$35,000 to a flat fee of $300**

- **Occupation of employees to higher added value work**

---

*Source: OECD, BCG Analysis*
Political commitment, reformist approach and transparency critical to secure implementation

i Sustained social partners' commitment
  - Credibility is paramount
  - Opportunity to build large political consensus around investment attraction strategy

ii Empowered inter-ministerial fast-decision making body/delivery unit
  - External pressure provides clear impetus for change
  - Bold steps: Ex-ante authority power for investments

iii PMO for monitoring and communication of progress
  - Plan and prioritize initiatives
  - KPI and targets (e.g., corruption ranking, bureaucratic burden etc)
  - Track implementation progress
  - Identify and resolve issues
  - Regular and transparent communication in particular with international investors
  - Challenge the results and support where it is needed

Source: BCG Experts and Analysis

Revive Athens 2004 enthusiasm and spirit

THE BOSTON CONSULTING GROUP
UK Delivery Unit making catalytic changes happen

Execution on key domestic policy issues

- Prime Minister
  - Delivery Unit
    - Health
    - Education
    - Crime
    - Asylum
    - Transport
    - ...

Heads by empowered executive
Works closely with departments to strengthen delivery
KPIs to monitor progress
Proper communication of the results of the units

Source: BCG Analysis
In Malaysia PMDU pivotal in making catalytic changes happen

Prime minister

Inter-ministerial Performance Management and Delivery Unit

Tourism

Agriculture

Healthcare

... 

... 

- Comprised of key ministries
- Sets concrete targets
- Develops actions based on sectorial team input
- Translated to key performance indicators
- Follows-up implementation

Define action needed and come up with change management program per sector

Source: BCG Analysis

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Cut down on bureaucracy
Streamlined procedures

Rationale

Greece is characterized by a heavily bureaucratic environment that reflects in rankings as Doing Business where for 2011 it is positioned 109th out of 183 countries.

The current situation leads to loss of FDI inflows as investors turn away from over-regulated systems that are characterized by increased:

- Waiting times
- Costs
- Risk for corruption

Best practices

Many countries have taken steps to fight bureaucracy

- Germany introduced National Regulatory Control Council (2006) to streamline regulations and committed to a quantitative goal of 30% reduction of bureaucracy by 2011.

Recommended actions

1.1 Set up Regulatory Simplification Council that will have clear mandate to streamline regulation

- Engage each ministry in conducting a recommendation plan targeted at streamlining existing business related regulation on key areas (land approval, construction permits, operation license, filing obligations)
- Establish a Regulatory Control Council that will be directly accountable to ministerial level officers and will
  - Encompass recommendation plans from every Ministry
  - Include representatives of the private sector
  - Commit on target and report back to public on progress based on KPIs

1.2 Adopt "justify or abolish" principle for all existing regulation

1.3 Set up within Invest in Greece (IIG) a full-fledged one stop shop with full responsibility for the completion of all procedures based on a broad ex-ante delegation

- Make ex-post (and not ex-ante) controls to IIG for the allocation & approval of investments to the Fast Track Law
- For all other investments "Invest In Greece" will just push application folders to relevant authorities

Archaeological and environmental studies 2. Domestic and foreign
Source: SEV, IOVE, BCG Analysis
Minimize corruption
Set up a single monitoring body

Rationale
Greece is currently at bottom of EU in corruption rankings
• Ranked right below Colombia and China
Corruption affects overall rankings & has a documented negative impact on investment level and growth of GDP
¹
Multiple contact points between individuals/firms and state representatives allow corruption
• Civil servants' bribery through speed payments in application processing
• Inspectors' bribery from firms to avoid fines and prosecution

Best practices
Other countries have demonstrated major achievements in fighting corruption
• Hong Kong created an autonomous Anticorruption body that rapidly improved country's transparency²
• Singapore significantly improved quality of services and reduced corruption through e-administration

Recommended actions
2.1 Consolidate all existing, decentralized corruption monitoring bodies into a single, high visibility administrative unit to increase efficiency and reduce number of redundant inspections for companies
• Re-allocation of duties to curb overlapping authorities and efficiency in grouping inspections
• Standardization of inspections through adoption of official investigation questionnaires and procedures
• International liaisons with foreign counterparts to enable multilateral exchanges of legal and investigative assistance
2.2 Introduce fast-track legal prosecution of highOfficials corruption cases
2.3 Instil anonymity in interaction with public agencies
• Substitute physical contact with online and postal transactions with the state
  – Individuals and firms will send the required documentation for inspections online or through correspondence
• Anonymous officials will be handling the cases and a general representative will be signing the documents

Accelerate legal enforcement by removing HR and procedure bottlenecks in judicial system

**Rationale**

Greece has been a bad performer regarding efficiency of its judicial system

- Business cases filed in 2011 are expected to reach court on average in 3–4 years
- Bottom of EU in investors' protection rankings
- Right below Albania and above Zambia in contract's enforcement rankings

**Recommended actions**

3.1 Adopt new technology to accelerate judicial processes

- General adoption of electronic transcription systems
- Online platform for tracking the progress of all cases
- Eliminating cases of bribery for change of trial date

3.2 Enforce exclusive accountability for expenses induced during a case on the loser's side

**Best practices**

International illustrations reveal the strong correlation between judicial system and FDI attraction. Hong Kong and Singapore retain the most transparent judicial systems in Asia and are placed as top two in Ease of Doing Business 2011

An efficient and business savvy judicial system will help to restore predictability of processes

Note: HR: Human Resources
Reinforce tax transparency and predictability

Rationale

Global rankings consider tax one of the main bottlenecks in Greece
- Tax regulation and tax rates constitute the 5th and 8th most problematic sectors in doing business in Greece (WEF Competitiveness Report)
- Greece ranks 92nd and 99th out of 139 counties in terms of tax rates and effect of taxation according to the same publication

Unpredictability deters investors
- Greece was the only country in the EU to impose retroactive one-off taxation on corporations during the recent crisis
- According to global advisory companies, the upper limit of tax burden in Greece is unquantifiable

Recommended actions

4.1 Formally commit on stability and predictability of taxes in Greece through multi-year fiscal plans
- Develop a 10 year tax strategy (incl. estimated revenues/ quantified reduction of tax evasion/ corporate tax rates/ dividend taxes etc)
- Abolish one-off tax measures

4.2 Remove ambiguities in the tax law and decrease the margin of appreciation of inspectors through appropriate codification
- Codify the existing corporate tax law (e.g., which expenses are deducted from corporate tax income and which are not)
- Establish tax courts for faster and more efficient settlement of tax cases

Source: WEF Competitiveness Report, Memorandum of Understanding, BCG Analysis
Increase efficiency of tax examination and collection procedures

Rationale

The tax-to-GDP ratio, at 32%, is nearly four percentage points below the OECD average and eight percentage points below the EU15 average

- Tax collection needs to be improved, the fight against tax and social security contribution evasion must be strengthened, and tax bases simplified and widened

Although tax rates in Greece are in line with OECD and EU averages, tax efficiency is much lower for Greece compared to these countries. Reducing the gaps between the effective and statutory rates of VAT, employers’ social contribution and corporate income tax to the EU average would boost fiscal revenues by about 3.5% of GDP

Recommended actions

5.1 Unify and centralize collection of taxes and social security contributions

5.2 Enforce regular wealth declaration for tax inspectors

Source: OECD Recommendations, BCG analysis
Reinforce communication towards international investors through focused promotion

<table>
<thead>
<tr>
<th>Rationale</th>
<th>Recommended actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece is lacking a clear vision and until recently has been characterized by insufficient execution in communicating its message to investors</td>
<td>6.1 Expand Invest in Greece geographic reach by branching out to strategic locations and building permanent links with local key players of the private sector</td>
</tr>
<tr>
<td>• i.e., Misaligned advertising period of Greece as a vacation destination with the vacation booking period of the target group</td>
<td>6.2 Enrich Invest in Greece online platform to meet global standards</td>
</tr>
<tr>
<td></td>
<td>• Easy access to data of value for investors (i.e., utilities and real estate costs)</td>
</tr>
<tr>
<td></td>
<td>• Interactive maps (Industrial Zones, airports, facilities)</td>
</tr>
<tr>
<td></td>
<td>6.3 Leverage expatriate network to promote Greece as a destination for investment(</td>
</tr>
</tbody>
</table>

**Best practices**

Other countries’ successful promotion indicates the importance of dedicated marketing of the country

- Turkey established active institutions (Investment Advisory Council -2004, ISPAT-2006) that engaged into global promotion and managed to attract major players and had companies relocating their headquarters from neighbouring countries to Turkey

Source: Report: “Greek economy searching for a strategy” by Mrs Vrettos and Stournaras, Invest in Turkey, World Bank Group, BCG analysis

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Define vision for Greece as a tourism destination

**Rationale**

Greece is characterized by a multitude of attractions
- Weather conditions for at least six months of the year that offer opportunities for exploring the sea
- Natural beauties in mountainous regions
- Prominent cultural heritage
- Quality of food offerings

However, the touristic product that Greece offers does not significantly differentiate from what neighbouring countries offer

Moreover Greek touristic period is suppressed between May and September

Countries without some "thematic" competitive advantage have managed to grow faster than Greece
- "While Greece’s tourist receipts grew by 57 percent in 2000-09, they rose by 116 percent in Egypt, 178 percent in Turkey and 219 percent in Croatia during the same period" \(^1\)

**Recommended actions**

7.1 Build a clear vision for Greece as a tourism destination that will balance tourism inflows during the year and across Greece

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Accelerate streamlining of regulatory environment for investment in tourism

Rationale

Tourism is one of the most important sectors of the Greek economy contributing >15% to GDP¹

Inefficiencies make Greece unattractive for FDIs in tourism

- Lengthy licensing procedures
  - Inefficient land registry
- Unpredictability of fines
- Difficulties in finding qualified personnel
  - Underdeveloped tourism studies
  - Despite the decision taken with presidential decree 77/09 still no tourism department in Greek universities²

Greece ranked last in attracting tourism FDIs among 4 neighbouring countries from '05 to '09

- Bulgaria attracted 52%, Romania 21%, and Turkey 16% of total FDIs in the four countries

Recommended actions

8.1 Include tourism investments as a special category of eligible investments in the Fast-Track-Law, as long as initial CapEx exceeds 20M€

1. Constant contribution to GDP since 1990
2. In University of Piraeus


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Develop Greece's cultural assets through public & private partnerships and improved operations

Rationale

Public data show Greece's annual per capita museum visits to be much lower than EU counterparts

Contrary to many international museums, most Greek museums do not offer either online ticket sales or dining options

- Possibility of pre-booking is one of the most important services offered by museums
- Most museum visitors regard dining option an important offering

Additionally most Greek museums do not have flexible operating hours

- Indicatively, the Archaeological museum operates Tue—Sun 08:30—15:00 and on Monday 13:30—20:00
- Many good-performing museums offer in specific days longer operating hours

Involvement of private investors in the operation of commercial part of museums can drive up number of visitors and generate revenues for the state

Recommended actions

9.1 Offer to private investors the operation of commercial part of selected museums (tied to investment requirements)

- Use public and private partnerships
- Support private investors to participate in programs of the National Strategic Reference Framework
- Agreement with private investors should include a fixed fee that investors should pay to the state

9.2 Improve operations of cultural assets

- Invest on commercial parts of the selected museums
  - Restaurants, and cafes
  - Online systems for purchasing tickets
- Increase operating hours and operate the museum with a more flexible program in order to maximize number of visitors
Support farmers in technology and business issues and promote local agriculture production

Rationale

Agriculture is a strategic sector for the Greek economy
  - Greek natural environment offers great potential for producing a variety of quality products

However, export of Greek agricultural products still underperforming
  - Greece has been losing ground to its competitors (e.g., Spain)
  - Deficit in agricultural trade balance for '09 was ~2.4€B mainly driven by high imports in meat and dairy products

Moreover, international conditions in agriculture are changing
  - Technology is a key driver of production

Farmers need to follow the changing conditions

Recommended actions

10.1 Put effort into branding traditional Greek agricultural products

1. In a much more extent and organized way than today

Facilitate market entry and competition in health services

**Rationale**

**Current challenges that deter investors**
- Key role of doctors in terms of patients choosing hospitals (indicative are the ownership shares of doctors in hospitals)
- Difficulty of finding appropriate land for building new hospitals
- Investors of diagnostic centres cannot invest in health clinics

**Opportunity to expand operations in the Balkans and Turkey**
- Given geographical proximity and deep knowledge

**Increase in popularity of health tourism**
- (The organisation Treatment Abroad claims that around 60,000 UK patients travelled abroad for medical treatment in 2009)

**Shortage in niche clinics**
- (oncology, orthopaedic). 40% of the Greek patients who seek treatment abroad are mainly for oncology and orthopaedic treatments

**According to transparency international-Greece, the health care sector (both public and private) accounts for most of the corruption incidents in Greece (35%)**
- In the private sector there are incidents of doctors asking for under-the-table payments. The reason why is that the money given from the public sectors are (illegally) kept by the management of the private hospital under the argument that they offer the branding.

**Recommended actions**

11.1 Promote Greece as a health tourism destination
- Development of health tourism especially for treatments that Greece has both a good reputation and a cost-advantage (infertility, dental, plastic surgery, diabetes and dietary)

11.2 Set-up an authority (under the surveillance of the ministry of health) where citizens could report corruption incidents in health care sector. Doctors asking under-the-table payments will be imposed high fines (or even imprisonment) and their names will be published online.

Source: Alpha Bank/ NBG sectoral reports, BCG Analysis, Transparency International-Greece
Create more attractive environment to achieve the 2020 goals for renewable energy

**Rationale**

Renewable energy targets, that have been set with law 3851/2010, are ambitious

Achieving the targets seems challenging because of existing inefficiencies

- Power distribution infrastructure sets limitations on RES power installations
- Lengthy licensing procedures prolong the development of new RES generation systems

Moreover, installation of new RES systems implies many imports of products needed for the installation of RES systems

Other countries with less "wind and sun potential" have demonstrated major achievements

**Recommended actions**

12.1 Improve licensing procedures in order to accelerate the installation of RES systems

- Development and use of computerized systems for the processing of applications to significantly reduce licensing times

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1. Renewable Energy Sources

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### Rationale

There is an opportunity for Greece to become the main transportation hub for SE Europe, but investments need to take place in order to upgrade the infrastructure of other means of transport and their connectivity.¹

- China has a growing demand for containerized exports
- Piraeus Port Authority and COSCO have signed a contract giving rights for the exploitation of the container terminal by COSCO
- If Greece upgrades its transportation infrastructure, it could be a good entry point for goods coming from China and having as destination SE Europe and eastern Mediterranean

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### Recommended actions

**13.1 Develop transportation & logistics master plan for Greece**

- Define, with key stakeholders, logistic characteristics that will give Greece a competitive advantage as an entry point of goods
- Identify infrastructure projects needed to be implemented to satisfy assessed demand

**13.2 Upgrade road, railway and port infrastructure through PPPs⁴**

- Upgraded railway network to Patra and Thes/niki, to accommodate faster trains
- Upgraded road infrastructure to Patra, Igoumenitsa and northern borders, to increase capacity and reduce transportation times
- Upgrade port infrastructure to increase capacity that can be handled
- Support the development of modern logistic centers in the region of Piraeus

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2. China containerized exports make up a quarter of the world total
3. Press search
4. Public and Private Partnerships

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**The Boston Consulting Group**

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"Beijing is seeking to make Piraeus a gateway linking Chinese factories with Eastern Mediterranean, Black Sea and West Africa."³
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Develop Greece as a shipping education hub

**Rationale**

Demand for engineers for ships is higher than supply¹
- Despite the high salaries offered in the Greek market
- Despite high unemployment rates

Shipping education in Greece has lower prestige than most academic institutes belonging in "Higher Education"
- Captains' and engineers' degree from Merchant Maritime Academies belongs to "Higher Education" but is publicly regarded lower than a University degree or a degree from Technological Educational Institutes
- Shipping educational programs in university of Piraeus and University of the Aegean are attracting "average-class" students²

Shipping academies³ for captains and engineers accept only Greek citizens

**Recommended actions**

14.1 Make Greece an international hub for nautical studies, releasing nationality constraints for students
- Establish new educational institutions and programs with a focus on building managerial expertise to complement the current focus on technical skills
- Selected undergraduate programs should be offered also in English
- In selected shipping academies also foreign students should be accepted

Greece should internally cover demand in shipping and maximize effects in employment

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1. Alpha Bank – Economic bulletin, October 2009 2. Based on entry point exam levels 3. All the academies fall under the Ministry of Maritime Affairs, Islands and Fisheries

**The Boston Consulting Group**
Continue to improve labor market flexibility

Rationale

In 2009 according to World Bank, Greece ranked 160th in employment rigidity¹

Although Greece has taken measures to improve its market labor flexibility...

• SFLCAs² can make wage setting system more adequate
• Probationary period has increased from two months to one year
• Part-time shift work has been extended
• Maximum work period under temporary working agencies has increased

… further adjustments need to be made in the Greek labor market,³ according to EU

Recommended actions

15.1 Define working hours annually based on average weekly working hours

15.2 Increase legal overtime employment

15.3 Improve the information flow among employers and OAED⁴ (more functional websites, promotional activities)

Best practices

UK, that has the lowest unemployment rates in EU-15 the last years, ranked among the first countries according to the index of employment rigidity

Greece should to be among top 50 best countries in "Employment Rigidity" ranking within a year

1. Average of 3 sub-indexes: rigidity of hiring, rigidity of firing, rigidity of working hours  
2. Special firm-level collective agreements  
4. Source: Memorandum of Understanding (22 Nov. 2010), Press Search, World Bank Database,
Develop performance management culture in universities through performance assessments

Rationale

Significant gap with other OECD countries
- "The Greek university system, which is composed of public universities, is rigid and lacks a well-performing evaluation mechanism. Its responsiveness and flexibility to changing demand conditions needs to increase to close the performance gap with respect to other OECD countries. Recent reforms aiming at improving the governance and increasing the accountability of universities have addressed some of these issues, but more needs to be done."
  OECD Economic Survey of Greece 2009

Recommended actions

16.1 Increase sense of accountability in public universities by an ongoing monitoring process linked with funding
- Develop an accreditation body that will identify both academic and managerial KPIs for the assessment of universities
- Develop a national university ranking that includes all universities in the country
- Allocate government funding to public universities based on their rankings and performance on KPIs

16.2 Diversify funding sources in order to increase efficiency and competition among existing universities
- Change regulation so as to allow public universities to charge low tuition fees to students
- Attract funding from corporations

Best practices

A number of accreditation agencies include business representatives in their decision making body, e.g. ACQUIN in Germany, HETAC in Ireland or CTI in France. The latter counts an equal number of members from academia and from industry; transversal skills and interaction of students with industry are core requirements for accreditation


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Create high profile industry-research university clusters

**Rationale**

**Limited R&D spending**

**Regulation challenges**
- Researchers are not allowed to commercially launch the output of their research
- University professors are not allowed to participate in business operations

**Universities' bottlenecks**
- Risk averse culture directs efforts towards research but not innovation
- Brain Drain

**Recommended actions**

17.1 Streamline regulation to facilitate public-private collaboration in research
- Alleviate regulatory restrictions regarding professors participating in business operations

17.2 Link clusters with FDI promotion efforts through Invest in Greece

**Best Practices**

- In Finland, the e-Tampere programme links the Tampere city’s vision for 2012 with several SMEs and larger companies and 2 universities. It has launched almost 400 local, regional, national and international projects drawing on extensive cooperation between university research, business and government from the perspective of technology, economy and society

Source: UK Department for Business Innovation and skills, BCG analysis
Develop HR excellence culture in public service

Rationale

Greece's performance in public administration efficiency has been deteriorating as depicted in the constant drop in international rankings

- World Bank group Government efficiency rankings position Greece among players like Uruguay and Oman

Poor public administration is a significant bottleneck for foreign investors as it translates to major delays and uncertainties that usually bring along extra costs

Recommended actions

18.1 Build HR excellence platform restoring meritocracy and transparency on HR functions

- Standardization of processes for evaluating performance on required skills and introduction of means of systematic evaluation of productivity of civil servants
- Move from seniority-based to performance-based criteria for promotion and salary
- Reinforcement of training of civil servants in order to
  - Achieve adequate familiarity with processes, laws and updates to ensure right implementation
  - Re-establish a service-providing culture

Source: Report on non-ASEP hiring in the public domain: by agency of Advocate of Citizen (2005), Greek economy searching for a strategy N. Vrettos, I. Stournaras, BCG analysis

The Boston Consulting Group
Improve match between supply of graduates and job market needs

**Rationale**

**Indications of demand-supply mismatch**
- "The teaching curriculum does not prepare students for post-school life, especially in vocational and technical education, and at upper secondary levels the curriculum is too oriented towards passing the university entrance examinations"  
  OECD Economic Survey of Greece 2009
- Although tourism employs around 18% of the total workforce, there is a limited number of universities offering high quality studies in the field

**Recommended actions**

19.1 Extend and diversify the nature of cooperation between educational institutions and private enterprises
- Increase links with business community through company visits on university campuses
- Establish compulsory annual internship projects for university students
- Establish apprentices according to which students split their university time 70% studying and 30% working

**Best practices**

In the UK, the Council for Higher Education and Industry (CIHE) looks into learning issues that affect the country's competitiveness, and tries to foster close working and understanding between business and higher education

In Spain, the Foundation Conocimiento y Desarrollo (CYD) aims to enhance ties between universities productive system and society; promoting the entrepreneurial and innovative culture among the university professors and students

In Sweden, 3 universities have developed tailor-made distance-learning courses for SME employees

Attract foreign universities and foreign students

Rationale

Legislative restrictions
- Law 3696, that was passed in 2008, enables the establishment of private colleges, however, it does not recognise the diploma acquired from these colleges to be equivalent to those acquired from public universities.

Potential for development of global competitive advantage in Liberal arts
- Long history and tradition in liberal arts
- Currently, there is no presence of Greek universities in the global rankings of liberal arts universities contrary to a respectable number of reputable universities located in the US and UK.

Recommended actions

20.1 Create appropriate framework to allow private universities to operate. At the same time impose strict restrictions on quality requirements (much higher than the current for Colleges)