


25 November 2006

Competitive **Greece**

From reforms to results



**“Education is the kindling of
a flame, not the filling of a vessel”**

SOCRATES



Minister of Education Marietta Giannakou is determined to ensure high standards at public universities

A raft of legislation is being introduced to ensure quality in Greek schools and universities and align the education sector more closely with the needs of the economy, society and labour market.

Fifteen laws have already been passed to ensure quality by introducing an official system of evaluation and establishing a new system in diploma recognition, an integrated system of life-long vocational training and an international university at Thessaloniki. Millions of euros are being invested in teacher training, creating new departments in schools and universities, and

providing new books and computers.

Attention is being focused particularly on upgrading the tertiary sector, into which the government wants to introduce principles of quality assurance, selection and choice to tailor it more effectively to the needs of both the students and a rapidly changing society.

Proposals include changing the constitution to allow non-profit private universities to operate, limiting the time students are allowed for the completion of degrees and developing joint degree programmes with other European institutions.

The reform initiative has provoked protests from academics and students, but the government's determination to press ahead realistically reflects the need to combat structural unemployment and equip Greece to compete effectively in the

global marketplace. With the Bologna Process aiming to establish a European Higher Education Area by 2010, reform will also bring Greece in line with EU standards and bolster the credibility and competitiveness of its universities.

“Quality assurance lies at the heart of the European Higher Education Area,” says Minister of National Education Marietta Giannakou. “We have all agreed on the development of national and European standards and guidelines for our quality assurance systems and are determined to work towards upgrading higher education at both national and European level.”

Project directed
and coordinated by:
Barbara Jankovic and
Daniel Storey

New international university puts the emphasis on quality

The International University of Greece is recruiting high-level international academics to teach top class courses to foreign and Greek students

In less than a year's time a new international university will be operating in Thessaloniki. The International University of Greece will provide students with a high quality higher education in English and other languages and will be directed at attracting mainly foreign students.

With a faculty comprised of professors recruited from all over the world and leading Greek academics, the university will constitute the first systemic international opening

of Greek tertiary education.

Located on a 7,000 acre site in Greece's second largest city in the north of the country, it is expected to draw students from a wide geographical area, including the Balkan countries, the Black Sea region, Arab and South-East Mediterranean countries, as well as attracting Greeks living in Europe and the United States.

According to Minister of National Education Marietta Giannakou, in-



The capital of Macedonia, Thessaloniki is the second largest city in Greece.

terest in studying there has been shown from students in countries as far afield as China. Students of the new university will pay the same tuition fees, regardless of where they come from.

The university is scheduled to open in September 2007, offering an Executive MBA. Initially, it will have three departments: humanitarian sciences, economy and management, and science technology.

Bridging the gap between classroom and labour market

Although joblessness has fallen to under 10 per cent, Greece, together with other European countries, still faces problems of structural unemployment caused by a shortage of skilled workers in a rapidly developing economy.

This is a challenge the government is seeking to meet head-on by making the classical education system more responsive to the needs of the market and introducing life-long vocational training. "We must create a workforce skilled in science and information technology for an increasingly competitive knowledge-based society and economy," says Minister of National Education Marietta Giannakou.

New departments are being created at universities to meet the need for expertise in areas such as communications and digital technology. An integrated system of life-long learning is being created through the Open University and new institutes of life-long learning, second chance schools and centres for adult learning.

Landmark school building initiative

The education sector is in the vanguard of projects to be carried out under the new public-private partnerships law



Twenty-seven public schools are to be built and maintained in the Attica region (around Athens) in the first large-scale project to be implemented under new legislation on public private partnerships (PPPs).


In what Education Minister Marietta Giannakou describes as a "landmark" initiative, private contractors will use their own capital to build the schools, which the state will lease from them

under long-term contracts. The cost of construction is put at 200 million euros, and the work will be supervised by government environment, town planning and public works officials.

According to the Minister, the new approach will speed up the building of schools and cost the state less than if it was funded directly from the public investment programme. "Under the new four-year plan, our pri-

ority is to build new schools as soon as possible. We believe that joint ventures between public and private sector companies will accelerate building rates," she says.

Initially focussing on the construction of schools and residences for higher education students, PPPs may eventually be extended to include management contracts with higher education institutions.



Hellenic Republic
Ministry of National Education
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Managing Authority of the Operational Programme
for Education and Initial Vocational Training




European Union
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Life long learning



Ministry of National Education and Religious Affairs



Operational Programme for Education and Initial Vocational Training



Ministry of National Education and Religious Affairs

Co-financed by the European Social Fund and the European Regional Development Fund



Hellenic Republic
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for Education and Initial Vocational Training



European Union
European Commission



The Greek Educational System in the 21st Century

The main instrument for the implementation of the educational policy in Greece is the Operational Programme for the "Educational and Initial Vocational Training", which is co-financed by the European Social Fund and the European Regional Development Fund.

The Operational Programme is closely related to the revised Lisbon strategy and the other EU policies (employment policy, gender equality, ICT and life long learning), synergy with the pillars of the National Action Plan for employment, the ESF priorities and the objectives of the National Action Plan for social inclusion.

Lifelong learning is one of the most basic pillars to the Greek strategy in Education. Through the Programme, the aim is to provide everyone with the opportunity to acquire or improve his/her knowledge, that will allow him/her both to be an educated person, an active citizen, as well as a fully qualified member of the workforce needed in the labor market.

One of the main choices, reflected in the Programme, is to provide equal opportunities in education and beyond that, to the labor market. Efforts have been undertaken during recent years, aiming to include the less privileged groups of the population in the educational

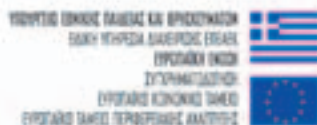
system, to reduce school drop out, to improve employability and combat social exclusion.

In order to make strategic interventions, the Greek government is going to implement evaluation procedures in all educational levels. The evaluation process, which is going to be supported by the Operational Programme, is not a means for punishment but a means for improvement.

Furthermore, investing in the human capital of the educational system is one of the most significant priorities. Therefore an extensive programme of teachers' training schemes is being implemented, with resources from the Operational Programme.

Another major strategic choice is to create and consolidate a Greek Education and Culture Center for south-eastern Europe, by establishing a new International University in Thessalonica for students that are coming mainly from abroad focusing on the Balkans area and the Eastern Mediterranean basin, but also welcoming students from all over the world.

This new institution will be financed through the Operational Programme.



Ministry of National Education and Religious Affairs
Managing Authority of the Operational Programme for Education and Initial Vocational Training-European Commission
Co-financed by the European Social Fund and the European Regional Development Fund

Greek competitiveness is increasing in international markets, say analysts

Government initiatives have boosted outward-looking entrepreneurship and created a more attractive environment for investment

Greece has improved its position in one of the most respected world indexes of competitiveness, recording the third best performance after China and India. The International Institute for Management Development (IMD) ranking confirms that initiatives by the New Democracy government to boost the competitiveness of the Greek economy are paying off.

After a five year period of decline and negative trends, the IMD ranks Greece 42nd out of 61 countries, compared to 50th out of the 60 countries assessed last year, placing it ahead of nations such as Portugal, Turkey, South Africa and Jordan. Of the 21 EU countries included in the survey, Greece has now overtaken Portugal, Italy, Slovenia and Poland.

Spyros Efstathopoulos, Special Secretary for Competitiveness at the Ministry of Development, says it is clear proof that the government's strategy and policies are working. Greece is moving in the right direction economically, technologically and socially," he says. "There is no doubt that we will catch up with the rest of the EU and become equally competitive with the most advanced of its members."

Greek exports rose by more than 13 per cent in 2005 and jumped 22 per cent in the first six months of this year. Tourist arrivals rose by 8 per cent last year and are expected to rise by 10 per cent this year.

GDP growth is at 4 per cent, more than double the EU average, and the country's fiscal deficit will soon fall below 3.0 per cent of GDP for the first time since Greece joined the EMU.

Investment projects worth €2.7 billion have been approved by government agencies in the last 18 months, creating thousands of new jobs, while the number of new enterprises opening exceeds that of those closing. In the first eight months of 2006, investments increased by more than 10 percent, building activity rose by 12 per cent and net

capital inflow on foreign direct investments exceeded €1 billion, up from €145 million last year.

Considerable effort has been put into changing the mentality of Greek businesses and orienting them towards the global marketplace and to

adopt new methods and modern marketing tools to enable them to compete with global firms on an equal basis.

"We want to encourage entrepreneurship," says Mr Efstathopoulos. "The biggest change is in the mentality of people towards competitiveness. The creation of a consensus in this direction is perhaps one of the most important achievements of our government."

Recent investment incentives include legislation facilitating the setting up of businesses, a radical updating of the law governing competition and a new law on public-private partnerships.

Particularly important is tax legislation that will see the tax rate on business profits, which stood at 35 per cent in 2004, reduced to 25 per cent by 2007. The tax system has also been simplified to reduce the administrative burden on businesses.

The tax system has been simplified. Corporate tax will be reduced to 25 per cent by 2007

Food and wine: quality, taste and health

Promotion campaign aims to awaken the world's tastebuds to the benefits of Greek cuisine

Kerasma, the Greek word for an offering or treat, usually of food, wine or spirits, is the brand name of a campaign to promote the pleasures of the Greek table abroad.

Like the rest of the Mediterranean, Greece has always enjoyed a slow-food culture, where meals are savoured and never hurried. Simple but classic dishes such as spinach pie, roasted lamb and moussaka are a well-loved part of the country's gastronomic heritage.

Visitors to Greece will know that the quality of Greek cuisine has risen remarkably in recent years. At the same time, global culinary and nutritional trends have influenced the contemporary Greek table, with the result that Greek food today is a happy marriage of tradition and innovation.

Yet Greece has never benefited from the kind of culinary reputation enjoyed by Italy, for example.

The Hellenic Foreign Trade Board (HEPO) has initiated the Kerasma campaign to support and advance Greek food, wine and spirits abroad. Working closely with the country's food and beverage associations, the Greek National Tourism Organisation, and the ministries of Economy and Finance and Development, the agency aims to boost worldwide exports of top quality food, spirits and wine through promotion of Greek gastronomy.

Greek producers have reached a level of maturity that has enabled them to create a vast spectrum of

new food products. Packaging has jumped several decades virtually overnight, so that the packaged foods and wines of Greece not only taste great but also have a strong visual appeal.

Greece has the second highest production of olive oil worldwide – around 400,000 tons annually – and 80 per cent of it is extra virgin.

HEPO is tasked with helping Greek companies realise their full export potential, building links between producers and potential partners worldwide.

The Kerasma campaign focuses not only on the tradition, taste and variety of Greek foods but also on their nutritional value and their contribution to a long and healthy life.

Top Greek chefs have been recruited to create a range of contemporary Greek dishes using traditional ingredients, such as olive oil, feta cheese, Greek yogurt and honey.

€6 million is being spent on promoting Greek olive oil in the United States, Canada and Australia.



Simple ingredients and a happy marriage of tradition and innovation.

'Our priority is to promote prosperity, growth and social cohesion'



The Greek economy expanded by 3.7 per cent in 2005, one of the highest rates in the eurozone. Growth for the first half of this year was 4.1 per cent. Economy and Finance Minister George Alogoskoufis explains how the government is working to spur investment in the country

vestment projects by encouraging investment in every region of the country.

These incentives aim to make the most of Greece's comparative advantages. They cover most of the sectors of industrial and commercial activity, as well as services.

The law for public-private partnerships lays the ground for the active development of state-owned real estate and the more efficient provision of public goods and services through partnerships with the private sector.

The privatisations programme is also going very well. Last year's budget target for revenues from privatisations was surpassed by one third, reaching €2.1 billion, and this year's target has already been surpassed, reaching €1.74 billion.

A new investment law is currently being drafted and will be put into practice on January 1, 2007. The new law will place particular importance on regional convergence and on the provision of important incentives for new investments, especially in small and medium-sized enterprises, and will cover up to 60 per cent of the investment.

How effectively are you managing to reduce debt?

When we took office the Greek economy was facing high budget deficits, an escalating public debt and several persistent structural imbalances. These problems were the main reason for

the economy's low international competitiveness and the low productivity in the domestic goods and services sector.

One of the top priorities on our agenda has been to correct these imbalances by promoting the conditions for prosperity, economic growth and social cohesion.

The policy of fiscal adjustment and the structural reforms we are implementing are paving the way to achieving this objective. In 2005 the general government deficit was reduced from 7.8 per cent of GDP to 2.6 per cent.

How satisfied are you with the performance of the economy?

The economy is responding to our reforms. Its performance is remarkable, given the rising oil prices, the weak economic performance in the eurozone and the policy of fiscal adjustment we are carrying out in order to reduce the high budget deficits of recent years.

During the first quarter of 2006 the growth rate stood at 4.1 per cent, while during the same period in 2005 it was 3.4 per cent. This is among the highest rates of growth in the EU and the eurozone, where average rates for 2005 are estimated to be 1.7 per cent and 1.4 per cent respectively.

What action is the government taking to stimulate growth and improve competitiveness?

We have enacted a number of structural reforms. The new Tax Reform Law has introduced major cuts in corporate taxes that aim to spur investment with a three-step reduction of corporate taxes from 35 per cent to 25 per cent by 2007.

The new Investment Incentives Law offers generous incentives to private in-



Greece offers investors monetary and political stability.

What advantages does Greece offer investors?

Greece is no longer an isolated economy of 10 million people, it is at the centre of a swiftly developing economic region of 140 million, a member of the EU and of the eurozone.

It has the most advanced social, political and economic infrastructure in southeastern Europe, and is active in promoting the integration of its neighbours into the EU. Greek foreign direct investment contributes to the development and stabilisation of the Balkan economies.

Many multinational corporations have chosen Greece to set up their headquarters operations in South-eastern Europe and the Middle East. By investing and trading in, or through, Greece, companies can gain access to a dynamic network of Greek companies that do business in the Balkans and the eastern Mediterranean, especially in view of the accession of Romania and Bulgaria to the EU and Turkey's European perspective.

Greece can offer the monetary and political stability that foreign investors require in order to invest in southeastern Europe.

Good prospects in the wider region

After years of growth at home Greek banks are cashing in on their expertise in neighbouring countries

Surrounded by rapidly developing economies lacking a banking culture of their own and with limited experience of sophisticated financial markets, Greece is securing its position as the financial hub of the region.

Years of speedy growth have put Greek banks among the top performers in the European banking



Greece is rapidly becoming the regional leader in banking.

sector. The five biggest banks – the National Bank, Alpha Bank, EFG Eurobank Ergasias, Emporiki Bank and Piraeus Bank – recently reported net profits totalling €1.24 billion, an increase of 13.86 per cent over the previous financial year.

This is due in part to an aggressive policy of regional expansion. Greek banks have been present in

Acquisition and expansion in other countries is **key strategy**

Over the next three years ATEbank aims to triple the market share of its first purchase outside Greece



DIMITRIS MILIAKOS
Governor of ATEbank

Establishing a substantial presence in the Balkans is an important part of the growth strategy of ATEbank, which this year acquired a 57.13 stake in Romania's Mindbank.

"Like most of our peers, we are focusing on the high-growth markets of the rapidly developing economies in this region because we believe that there are still major opportunities to be exploited," says Governor of ATEbank, Dimitris Miliakos.

ATEbank aims, over the next three years, to triple Mindbank's present market share of the growing and promising banking market in Romania, which is set to become an EU member in 2007. The purchase is ATEbank's first acquisition outside Greece as part of its expansion strategy, but is unlikely to be its last.

Mr Miliakos notes that with privatisation programmes for financial institutions in several countries nearing completion, "multiples of poten-



tial targets have risen."

The first half of 2006 saw a period of rapid investment abroad for the bank, with 33 new branches bringing its total network in the region to 209 branches.

In Greece itself, ATEbank operates the second largest nationwide distribution network, with 458 branches and 690 ATMs. It has a significant presence – 73 per cent of its network – outside the Athens and Thessaloniki metro-

politan areas, where the population is relatively under-banked.

ATEbank achieved significant growth in profitability in the first six months of 2006 with an increase of profits after tax of 16.7 per cent, reaching €82.1 million, compared with €70.4 million in the corresponding period of 2005. Despite ever intensifying competition in the domestic market, the results reflect a remarkable growth in retail banking of 45 per cent.

the Balkans, where Greece is the main foreign investor, for more than a decade. Now they are developing and extending that presence from southeastern Europe to Poland, Turkey and Egypt.

"Greek banks are performing extremely well in the wider region and their operations are expanding at double-digit rates of growth every year," says Economy and Finance Minister George Alogoskoufis.

He believes the trend is set to continue for many years, since neighbouring countries are significantly under-banked and under-monetized, thereby creating good prospects for Greek banks.

"Moreover, Greece has a mature and well-organised stock exchange that can serve as the platform through which leading Southeast European companies can gain access to international capital markets. With the know-how it possesses in capital markets, Greece can also be a valuable partner for every local company seeking to reach international investors."

Total assets in the banking sec-

tor in the five Balkan countries where Greek banks were present at the end of 2005 – Albania, Bulgaria, the Former Yugoslav Republic of Macedonia, Romania and Serbia-Montenegro – amounted to €66 billion, equalling 53 per cent of their GDP.

Either directly or through their subsidiaries, the banks operate a network of more than 1,000

Greek banks operate more than 1,000 branches across the region and are extending their presence to Poland and Turkey

branches across the region, employing 16,000 people and accounting for around 15 per cent of the market share.

Now that diplomatic relations have improved, Turkey is the next target for Greek banks to set their sights on. In April, the National Bank of Greece became the first Greek bank to enter the Turkish market with a €1.8 billion bid for 47 per cent of Turkey's Finansbank. It was quickly followed in May by EFG Eurobank with its €145.5 million bid to buy 70 per cent of Turkey's Tekfenbank.

Last year, Piraeus Bank became the first Greek bank to enter the Egyptian banking sector when it bought Egyptian Commercial Bank.

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New transport links will connect the country and bring it closer to the rest of the EU

Situated at the crossroads of routes between Europe, Africa and Asia, Greece has a key role to play in transportation

Extensively modernised and upgraded in recent years, the Greek transportation network continues to improve, expanding the country's role as an international commercial and transit hub in Southeast Europe.

An EU member since 1981, Greece is geographically separated from other member states by its non-EU neighbours. With substantial support from the EU and the European Investment Bank, it has been investing heavily in transport infrastructure with the twin aims of linking up its major cities, ports and airports in an integrated transport system and bringing itself closer to its Balkan neighbours and the rest of Europe.

The run-up to the 2004 Athens Olympics saw a series of major infrastructure schemes. In addition to major works in the capital itself, such as the new metro and ring road, these included the new Athens "Eleftherios Venizelos" airport in Spata and the Rio-Antirio Bridge, the longest cable



The Rio-Antirio Bridge cost a total of £630 million and was funded by the EU.

bridge in the world, linking the Peloponnese with the mainland.

A major programme to develop and modernise the road network has been underway. This includes major schemes such as the 480-mile Patras-Athens-Thessaloniki-Evzoni motorway, the main vertical road corridor in Greece. Expected to be completed in 2008, the motorway is part of the Trans-European Road Network, providing access to the countries of the Balkan peninsula to cities, ports and airports across Greece.

The establishment of freight villages is crucial for regional growth and will cut costs and time

Also due for completion in 2008, and also part of the network, is the Egnatia motorway, which runs across Northern Greece connecting the ports of Igoumenitsa, Thessaloniki, Kavala and Alexandroupolis. It is one

of the largest road networks under construction in Europe.

The main road and rail links running from Greece to central and northern Europe will form part of the planned Pan-European Corridor X. In June, Transport and Communications Minister Mihalis Liapis and his counterparts from



MIHALIS LIAPIS

Minister of Transport and Communications

other participating countries signed a protocol for cross-border cooperation to speed up the project's completion.

Another initiative that will have a very positive impact on the combined transport sector in Greece is the creation of freight villages.

"Freight villages are crucial for regional growth through better-combined transports," says Mr Liapis. "They contribute to the decrease of cost and time, while reducing environmental repercussions, and we believe they will gradually make Greece an important merchandising gate for Europe as a whole."

OSE: getting the railways on track

The establishment of a modern rail network is crucial to economic development

A major investment programme to upgrade and modernise the Greek railway system is being undertaken by the Hellenic Railways Organisation (OSE).

The programme includes large projects, such as the construction of high-speed railway lines, the creation of railway network connections with ports and industrial areas and the development of the Athens suburban railway network.

A key scheme is the completion of the Patras-Athens-Thessaloniki-Igomeni axis. This connects the most economically dynamic centres in Greece and, with its extensions towards the border crossing stations of the Former Yugoslav Republic of Macedonia and Bulgaria, it will be the most

important Greek railway axis for international rail operations. It is scheduled to be largely completed by 2008.

Travelling time between Athens and Thessaloniki, which has already been significantly reduced from six hours to four hours, will be further reduced to an estimated three hours and 16 minutes by 2011 with the use of tilting trains.

An upgrade of the line connecting Thessaloniki to Kipi on the Turkish border is to be completed by 2009 as part of the Thessaloniki-Istanbul Corridor, which is set to be a key axis in Southeastern Europe.

Currently being planned is the western railway corridor, which include the completion of the Egnatia railway, in-

terconnecting the Greek with the Italian railway network. This is a priority Trans-European Networks project with a completion date of 2014.

OSE is currently improving services with the upgrading of wagons, railway stations and surrounding areas. In May, Transport and Communications Minister Mihalis Liapis announced a programme totalling two billion euros to rehabilitate the network. Projects include an expansion of the passenger rail service between Athens and Thessaloniki.

In recent years, OSE has undergone an extensive process of restructuring that has seen the organisation transformed into the parent company of a group of subsidiary companies. It is responsible for main business sectors such as the suburban railway, real es-



Services are being upgraded and expanded.

tate and infrastructure projects management.

Two new subsidiaries were created this year: Edisy to run the railway network and stations and Trenose to operate the passenger and freight trains.

City of Thessaloniki to get its own metro

After years of delay, plans for a **Thessaloniki metro** have finally been given the green light

One of the most notable improvements to Athens has been the sleek new metro that provides residents and visitors with clean, safe, reliable high-speed transport and has helped reduce some of the Greek capital's notorious congestion.

Now the benefits of modern underground transport are to be brought to Greece's second largest city with work starting on the long-awaited Thessaloniki Metro.

The new metro will be the most modern in Europe, incorporating state-of-the-art technology. A single line approximately six miles in length with two independent single-track tunnels and 13 stations, it will serve an estimated 250,000 passengers a day.

The overall budget for the project is just over one billion euros. Funding has been secured from the EU and the European Investment Bank.

"The Thessaloniki Metro and its extensions will enhance the quality of life in the entire city by changing the outlook of each neighbourhood, boosting the local economies and shortening distances," says George Yannis, Chairman of Attiko Metro, which is managing the project.

As with the Athens Metro, extensive archaeological excavations are



Opened six years ago, the Athens Metro has transformed travelling in the capital city.

being carried out and the most important finds will be exhibited at central stations on the new network.

Meanwhile, lines 2 and 3 of the Athens Metro are being expanded by a total of eight miles and 13 more stations, extending the service to the southeastern and western suburbs. This project shall be commissioned in stages, starting in 2007 and by 2009 it should be completed. The number of passengers served by the system is expected to rise from the present 650,000 per day to 900,000.

A further five-mile extension of line 3 is planned towards Piraeus, which will link the port with Athens International Airport, providing for a further 160,000 passengers a day.

"Beyond these projects, our objective is to secure the necessary funds for the construction of a new line – line 4 – of the Athens Metro, as well as for the construction of the extensions to the Thessaloniki Metro," says Mr Yannis.

An innovative funding scheme is foreseen to raise the estimated €3 billion required for the schemes using revenues from the Athens ring road tolls.

Passenger numbers will rise to 900,000 a day when the Athens extensions come into operation

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"Our goal is to lay the foundations for the implementation of these projects in the next decade and prove that public authorities can be efficient and innovative despite the increasing complexity of European and Greek rules and procedures," Mr Yannis says.

He has no doubt that the Metro, opened in 2000, has made Athens a better place to live. "Everyday life has been changed dramatically and the new projects to be carried out in the years to come will make Athens even more attractive," he says.

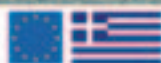


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Archaeological finds are displayed at stations on the Athens Metro.



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New strategy to support defence industry

Greece has cut the portion of its budget allocated for military expenditure but is determined to promote domestic manufacturers



EVANGELOS MEIMARAKIS
Minister of Defence

Just five years ago, Greece was spending almost 6 per cent of its GDP on defence and military expenditure, compared to an EU average of 2 per cent, making it one of the highest spenders on security in proportion to its size.

However, the requirements of the European Stability and Growth Pact and improved relations with Turkey have changed national priorities. As part of the wider drive towards the rationalisation of public finances, the government is seeking to contain military costs by focussing on quality rather than quantity.

At the same time, a new strategy is being developed to see how best to support the burgeoning Greek defence industry and to ensure that expenditure brings real benefits in terms of jobs, economic growth and technology transfer.

A new law on procurements provides for the mandatory participation of at least 35 percent of the Greek domestic defence industries in the Greek armed forces armament programmes.

"The overall economy could benefit a great deal from the development of the defence in-

dustry," says Minister of Defence Evangelos Meimarakis.

The industry is made up of around 200 companies, mostly small to medium-sized firms (SMEs). Only six employ well over 1,000 people and two of those are state-owned: Hellenic Aerospace Industry (HAI) and Hellenic Defence Systems.

Mr Meimarakis says Greece's willingness to support the European Defence Agency (EDA) mechanism favours the participation of SMEs in joint European development and production programmes.

Greece is one of 22 EDA member countries that have agreed to apply a new voluntary defence procurement code. The code is designed to increase transparency and competition in the European defence equipment market,

broaden business opportunities for defence companies and strengthen the global competitiveness of the European industry.

Anastasios Tenekoudis, Director of the Ministry's Directorate for the Defence Industry and Research says that if Greece is to be competitive, a comprehensive strategy is needed for both pillars of the defence industry: its industrial base and the research and technology infrastructure.

"This strategy involves what I call the three Cs: consolidation, cooperation and co-production," he says. "They must be simultaneously implemented at the national and international level. This same strategy applies for all our counterparts in other countries and this is one of the reasons why the EU founded EDA."

The future of sector calls for consolidation, cooperation and co-production



By the end of May, HAI had already exceeded the results of the whole of 2005.

Exceeding targets and aiming higher

Radical restructuring has led to improved global competitiveness for the Hellenic Aerospace Industry

With the national defence budget being reduced, Greek defence companies are looking to wider markets for future growth. Under CEO Tassos Philippakos, state-owned, Hellenic Aerospace Industry (HAI) has been undergoing a radical restructuring process designed to make it more competitive on the global stage.

Established in 1975, HAI is the largest state-owned defence and aerospace industry in Greece. The company was set up to supply and support the Hellenic Armed forces, which still

account for more than half of its sales. Its main activities are in the manufacturing and support of military and civil aircraft, engines and avionics, in defence electronic and optoelectronic systems and in satellite communication networks.

Major customers, apart from the Hellenic Armed Forces, include the US, French and Nato air forces, the RAF, Lockheed Martin, Pratt & Whitney, Boeing and Airbus.

In March, HAI signed a partnership deal with BAE Systems under which the two companies agree to work together on potential partnership opportunities in a number of areas, including electronic warfare systems, Unmanned Aerial Vehicles (UAVs) and associated technologies, and



TASSOS PHILIPPAKOS
CEO of HAI

aerostructures and composite structure manufacturing.

Mr Philippakos identifies three main objectives for HAI: to become prof-

itable, financially self-sufficient and set itself on a growth trend.

So far the changes are proving highly successful. In 2005 HAI doubled the value of signed contracts compared to 2004, while the value of international contracts tripled. By the end of May of this year, it had already exceeded the results of the whole of 2005.

"We set targets that we considered reasonable, but looking at the outcome we are proud to announce that we can aim a lot higher than we ever imagined," says Mr Philippakos.

"This management team has transformed HAI into a major partner for the leaders in the industry throughout Europe and on the global stage."

Revamping its flagship game is proving a big winner for the leading Greek lottery company but OPAP is also focusing attention on giving back to the community

Greeks are among the biggest gamblers in Europe. Per-capita betting in the country is towards the top of the league with spending on games of chance totalling more than €6 billion last year.

Revenues for the Greek lottery and sports betting games operator OPAP were up 34 per cent to €2.2 million for the first six months of 2006, while net profit jumped to €228.2 million, 12.5 per cent higher than for the same period in 2005.

Basile Neiadas, OPAP's CEO, attributes the impressive result largely to the rejuvenation of the company's flagship fixed-odds betting game Stihima and to the game's exceptional performance during the World Cup in Germany.

A higher payout ratio and the introduction of new features such as live and over-under betting have helped OPAP win back players from the illegal gaming market. Formerly limited to European soccer matches and major sporting events such as Formula One, Stihima has been expanded to offer betting on non-sporting events such as the Oscars and the Eurovision Song Contest.

More importantly, approval has been given for OPAP to include betting on Greek football league games and the initial response, according to the company, has been "very encouraging".

Sales have also been driven up by the company's second biggest game, Kino, following the extension of playing times.

Majority-owned by the state, OPAP holds the sole concession to operate numerical lottery and sports betting games in Greece, a position that has led to OPAP commanding 49 per

OPAP currently has nine different games on offer, but is looking to expand its repertoire.



OPAP is putting its money on investment and sponsorship

cent of the total Greek gaming market.

The company has a market capitalisation of €6.8 billion, the third largest on the Athens Exchange and the highest market value of the 56 companies in the Bloomberg World Entertainment Index.

OPAP operates through a network of more than 5,000 independent agents with more than 6,500 terminals. It offers nine games, including Stihima and Kino, and has the right of first refusal to operate and manage any new games permitted by the Hellenic Republic for the next 15 years.

As part of a broad cost-cutting process, OPAP has decided to take risk management of Stihima in-house as of February 2007. "In the last two



BASILE NEIADAS
CEO of OPAP

years, the risk management was costing us 10.2 per cent on a game that has sales in excess of €1.7 billion," says Mr Neiadas. "We believe that we can reduce this figure in the coming years. We hope to limit the cost to 5-7 per cent for the first year, and the more experience we obtain the more we can further reduce costs. This will be of real benefit to our shareholders."

The government's decision to lower corporate taxation will also benefit OPAP. "With the huge sales that OPAP is enjoying at the moment this will translate into very significant cost savings to the benefit of our shareholders."

OPAP is making a significant investment in expanding and upgrad-

ing its IT infrastructure, planning to spend more than €100 million on replacing its main computer systems in Athens and Thessaloniki, and installing 15,500 new terminals.

"We will acquire one of the most modern and technologically advanced computer systems in the world for the operation of our games," says Mr Neiadas.

"The great advantage of the system is that it supports all the types of betting currently available in the world market, including internet betting, mobile phone betting, and interactive television betting. This means we can easily move into these areas if and when the law here permits them."

The government assigns half of the members of OPAP's board of directors and ensures that the two ministers must approve any new game or any alteration that the company wants to consider. This, coupled with OPAP's large sponsorship programme, contributed to the European Supreme Court decision to allow it to maintain its monopoly status.

"We invest a lot of money in sponsorship and donations in health, sports, educational and cultural activities that benefit Greek society," says Mr Neiadas. "We spent about €70 million on sponsorship and advertising last year."



Founded in 1958, OPAP has grown into the leading gambling company in Greece and one of the largest in Europe.



A Work of Responsibility to Society. Our own game. Life.

Our own game is a game of values that are positively Greek: Culture, Education, Health Care, Sports. These are values that make our lives more beautiful, more creative. These are values that we have supported practically, with an increased sense of social responsibility, with devotion and passion. Like a big team. Together we are laying the foundation for a more humane, more optimistic and happier future.

Because the most beautiful game is life itself.