12th Annual Capital Link Greek Forum

Reforming Greece: Opportunities and Challenges

Thursday, December 2, 2010

New York

Mr. Grigorios Tasoulas,

Secretary General of Public Order

Ministry of Citizen Protection

Ελληνική Δημοκρατία

The Government Economic & Reform Program
Development and Security in an era of turbulence

It is an undeniable fact that public order and economic restructuring go hand in hand.
That is why in an adverse economic environment and a difficult period for the country primary goal still remains to restore the sense of National and Public safety.

Necessary Actions:

- Prevention
- Preparedness
- Timely response

Today Greece is changing

It becomes a country with a credible government that is delivering change, a country firmly on the path to long-term stability and growth.

At the same time, global economy appears to have turned the corner slowly, following the worst recession in the post-war period

In Greece ,economic difficulties go deeper than the direct effects on the recent crisis fiscal consolidation is urgent.

The essential starting point is:

- a large and sustained fiscal consolidation
- to stabilize public finances and
- reassure markets

We implementing a strategy to correct imbalances and modernize the economy, accompanied by action plans in each of the following nine critical areas:

- Public administration and budgets
- Pensions
- The governance of state owned enterprises
- Tax policies
- Employment and social policy
- Education
- New sources of growth, innovation and green growth
- Competition
- The complex political economy problems associated with reforms in the public sector

The economic adjustment program of Greece aims at:

- Sustainability

- Restoring competitiveness (in terms of both price and quality)

Substantial fiscal consolidation constitutes the program of reducing the budget deficit by 10 percentage points of GDP by 2014.

The program is ambitious but feasible.

According to the data available for the state budget execution for the ten months of 2010 (January – October), on a fiscal basis, the State Budget Deficit amounted to 17,334 million euro compared to 24,833 million euro during the same period in 2009 and thus was reduced by 30.2% against a targeted 33,2% according to the data published in the Draft Budget for the year 2011 and a targeted reduction of 32,2% for the period based on the draft budget law sumbitted to Parliament on 18 November 2010.

Deficit reduction during the period January – October 2010 is mainly based on a significant reduction of expenses. Ordinary budget expenditures declined by 7.1% year – over – year. In particular, primary expenditures decreased by 11.2% against an estimated 9% annual decline, while interest expenditures increased by 5.5% against a 7.6% estimated annual increase. The decrease of primary expenditures is mainly due to the restriction of expenditure in health and social security (lower grants to the Social Security Funds by 1,526 million euro compared to the respective period of 2009), a 1,022 million euro reduction in operational and other expenditures and reduced expenditure for salaries and pensions (decreased by 1,265 million euro).

Net revenues of the ordinary budget in the ten months of 2010, increased by 3.7% which represents a small improvement compared to the 3.6% increase over the nine month period. This is mainly due to higher VAT receipts by 14.8% in October. Public Investment Budget (PIB) expenditures declined by 24.6% and PIB revenues by 3.3%, compared to the same period in 2009.

On the other hand, sustainability of public finances in Greece can be accomplished by the implementation of structural reforms such as pension reform.

The Greek Parliament on July 9 and 15 passed sweeping pension reforms that overhaul the country’s existing private and public pension systems and bring its viability in line with the EU average. This ensures the system’s medium and long-term sustainability, as well as a long-term actuarial balance. Left unchanged, public pension expenditures under the existing system would have doubled from around 12% of GDP in 2010 to 24% in 2050. The new system will cap the increase of public sector spending on pensions, over the period 2010-2060, to under 2.5% of GDP.

In a matter of months,

- We have reduced government expenditure by almost 8%
- Our primary deficit is down 60% year on year
- We embarked structural reforms:
  - ❖ to eliminate bureaucracy
  - ❖ improve public sector efficiency and
  - ❖ overcome long-lasting obstacles to growth and investment

In short, we have turned a fiscal crisis into an opportunity to push through necessary reforms that have been put off by successive governments afraid of the potential political costs.

Just a few examples:

- We have streamlined local administration, reducing over 1000 municipalities to 325, 57 regional prefectures to 13, five levels of government to three, 6000 local government enterprises to 2000.This will generate about EUR1.5 billion every year

- Secondly, reforms to the pension system, which include raising the retirement age to 65 and abolishing early retirement before 60, will lead to an astonishing ten percentage points of GDP in savings over the next four decades.

- Thirdly, we are liberalizing closed professions leading thus to greater competition and lower production costs in these sectors.

These are just some of the changes we have already made to restore credibility and confidence in Greece. And we have many more reforms in the pipeline to jumpstart the economy.

In 2008, foreign direct investment accounted for just 1% of GDP, compared to an OECD average of 4,1%.

To turn this around, we have passed several measures to encourage entrepreneurship and attract investments. One of the most important, introduced by the Minister of State two weeks ago, is the Fast Track legislation for strategic investments.

The Fast Track act is applicable in:

- Energy
- Tourism
- Industry
- Advanced Technologies
- Other innovation projects including those strategic investments which come under the investments law.

Fast Track is an “exceptional” tool process of accelerating the implementation of strategic investments. It is not mandatory for every investment plan to undergo its procedure.

Fast Track model, concerns mainly, major strategic investments, investments that generate a positive multiplier effect on Greece's GDP.

Fast Track yield important benefits for all involved stakeholders:

- Public sector
- The country’s citizens and
- The private sector, which now gains access to a new expanding market and hopefully stable market.

The state owns real estate assets worth over EUR270 billion that are largely unexploited.

This new ambitious program spans transport, energy, telecoms, gaming, real estate utilities and banks, through:

- Outright sales
- Concession agreements
- Initial public offerings
- Privatization
- Strategic partnerships
- Holding companies

In line with our green development agenda, we are reorienting our agricultural production, which will be geared towards high-quality products. We want to create a Greece which is linked with high quality.

Moreover, we are revamping our tourism industry and tapping into new markets like China, Russia, India, Israel, Turkey and the Middle East.

Finally, Qatar signed a memorandum with Greece expressing interest in investing as much as $5 billion in areas of the Greek economy such as tourism and real estate.

A joint committee, chaired by State Minister Haris Pamboukis for Greece and for Qatar by Ahmad M. Al-Sayed, Secretary to the Board of the Qatar Investment Authority and Chief Executive of the authority's affiliate, Qatar Holding LLC, will meet in Athens and Doha alternatively every three months to evaluate possible investment opportunities.

Thank you very much

for your attention

Ελληνική Δημοκρατία