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Report on Research on Start-ups and the Greek Entrepreneurial Activity, funded by the Stavros S. Niarchos Research Fellowship.

With the support of the Stavros S. Niarchos Research Fellowship, I set out to research the regulatory and financing frameworks of entrepreneurship in Greece. My goal was to employ a top-down, and a bottom-up approach. In particular, I wanted to find out the start-up activity in Greece at the aggregate level: number of start-ups, geographical dispersion, market, funding, annual performance, etc. At the same time, I wanted to experience first hand the struggles that an entrepreneur faces in Greece from the inception to the implementation of a business idea.

To meet the goals of the top-down approach, I got in touch with the key institutional players for what I thought it would be useful data mining regarding start up companies in Greece. I visited the Central Bank of Greece, the Ministry of Finance, the Hellenic Center for Investment (HCI), the Ministry of Development, the program "Antagonistikotita," the Federation of Greek Industries, the American-Hellenic Chamber of Commerce. Unfortunately, none of these institutions kept records of start-ups in Greece that would help me build a comprehensive aggregate picture, and some of them were not willing to share the information they had.

Nevertheless, with the information I collected I pieced together a more coherent picture of the institutional framework a starting company in Greece faces. My findings overall support the notion that with the guidance and financial support of the EU, Greece has been consciously improving its entrepreneurial environment the past few years offering important opportunities, despite the often public ignorance of them and its widespread bureaucracy.

The program "Antagonistikothta" exemplifies this observation. The program was instituted under the Ministry of Development with a budget of 6.7 billion euros (funded by both EU, and Greek funds). As the name suggests, its goals are the competitive improvement of the Greek economy, by simplifying the regulatory and financing environment the companies face. The program gives non-returnable funds to new and existing companies to start/expand in different areas (commerce, services, research, technology, tourism, energy), covering significant percent of an undertaking's costs. In case of women, young people, and people with disabilities the financial support can go up to 75 percent.

Although the absorption rate has improved the past couple of years, it hasn't breached the 50 percent of the available funds, indicating the need for a better public awareness campaign. The campaign should not only aim at making the opportunities known to the wider public, but also support a prospective applicant through the application process. This support has been provided for years now to foreign companies wishing to invest in Greece through the Hellenic Center for Investment (HCI). HCI stated, during an interview I conducted with them, that they offer the same support to Greek companies that request it. Nevertheless, their limited resources coupled with the high volume of applications renders the support to Greek companies a lower priority.

HCI's work on attracting foreign investments is worthy of mention. Under the Investment Incentives Law (3299/2004), Greece was divided into four geographic zones, and investments into five categories. Depending on the zone and the proposed business investment, Greece gives cash grants, leasing subsidies, tax exemption, or cash grants for

wages. Indicatively, exemptions can reach up to 100 percent, and cash grants up to 48 percent of the expenses related to new employment. Small and medium enterprises are entitled to an additional 15 percent of subsidies. Upper limits of the subsidies are 55 percent of expenses, or alternatively 20 million euros. It is not easily determinable how effective the investments law has been (there are some data but were deemed confidential), nor how effective HCI marketing strategies are. The investments law is said to be reformed in the next couple of months.

On a different note, EU's presence in Europe's entrepreneurial activity cannot be overstated. Besides the benefits from the common market, and the free movement of people and goods, the EU as part of its Lisbon Agenda has put in place a generous funding scheme for small and medium enterprises. In particular, apart from the money given to each member state to be administered, EU gives non-returnable funds, low interest loans, and other financial instruments (direct funding, structural funds, venture capital instruments, guarantee instruments, global loans). EU's efforts, unfortunately, lack on attracting the broad interest and the entrepreneurial spree that they are intended to bring about. But their ultimate results remain to be seen in the next decade as the Lisbon Agenda fully unfolds.

During my research, I also had the opportunity to familiarize myself further with the Greek legal world (civil code, company law, etc), utilizing the legal resources at my disposal. Interestingly, the Greek constitutional scope of property is very limited, since it leaves intellectual property rights unprotected along with other forms of property, beyond land ownership. The new constitutional reform intends to cure that deficiency. Intellectual property initiatives are indeed lagging behind in Greece. This is evidenced by the very low number of patent applications in Greece. In 2004, there were only 50 applications, when Lichtenstein had 115. To reverse these trends, the Ministry of Development has significantly reduced the registration fees with the Organization for Industrial Property (OBI).

On the company law front, recent legislation has simplified the requirements for registering a new company (lifting the requirements for court permission), and further simplifications are expected. As far as competition law is concerned, although the law provisions have been in place since the 1970s, the institutional enforcement mechanism, the so-called competition commission, is a very recent creation. The recent bribing scandals of the commission illustrate the need for further institutional reform.

For the bottom-up approach of my project, I explored different business plans and tried to implement a basic level of business research for them. The business plans ranged from for-profit recycling schemes, to inter and intra-city transportation ideas, to franchising, or Indian-Greek commerce. Exploring the Indian -Greek commerce, due to a recent summer internship in India, I realized that there are hardly any official Indian businesses being active in Greece according to the Indian Embassy in Athens, despite the fact that there have been significant investments of Indian companies in other Balkan countries. Of course, it is impossible for Greece to compete with the low wages of Eastern Europe, but it can still advance joint projects, in a similar to the China-Greek recent commerce initiatives. In retrospect, I think I should have focused on a very specific idea, and pursued it with more rigor, instead of spreading myself thin between different ones.

I wrapped up my research by participating in the 1<sup>st</sup> European Summit: Observing the IT Society in Athens. Attending presentations on IT innovations across Europe, it was hard not to be disappointed by the very low penetration rate of internet technologies in Greece. Apart from the very high numbers of internet illiteracy, Greece is also back in

investments on the e-government front. One of the very few success stories in that field, has been the TAXIS system, for the electronic submission of tax laws.

I feel fortunate enough to have gained a better understanding of the institutional players and the legal framework regarding Greek entrepreneurial activity, as well as a better sense of the challenges that a researcher faces in Greece. I would like to thank the Hellenic Studies Program at Yale, and the Stavros S. Niarchos Foundation for making my research financially feasible.