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ASSISTANCE TO THE GREEK GOVERNMENT FOR SUPPORT  
PROGRAMMES FOR PRODUCTIVE INVESTMENT PROJECTS FOR YOUNG PEOPLE  
DP/GRE/86/009

GREECE

Terminal Report \*

Prepared for the Government of Greece  
by the United Nations Industrial Development Organization,  
acting as executing agency for the United Nations Development Programme

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**ANNEXES:**

- I.: Memorandum outlining Substantive and Administrative Issues Regarding the Pre-start and Start-up Phases of The Company for the Support of Productive Initiatives of Younger People (ETEAP)
- II.: Memorandum acquainting project participants with the objectives and priorities of ETEAP.
- III.: Suggested Composition of the ETEAP Governing Council

## 1. MAIN FOCI OF ETEPAP

The acronym ETEPAP stands for The Company For The Support of Production Initiatives Of Younger People.

### 1.1. The Definition of ETEPAP

ETEPAP is a special credit institution whose purpose is to promote the organization of new small- and medium-sized enterprises (i.e., productive investment projects) undertaken by groups underrepresented in decision-making roles within the economy. ETEPAP is oriented by the principles of Active Democratic Planning and Implementation.

### 1.2. The Objectives of ETEPAP

#### 1.2.1. Primary Objective

The primary objective of ETEPAP is the start-up and successful operation of viable new small- and medium-sized enterprises by entrepreneurially oriented members of the Target Populations (TPs). The TPs are:

- (1) youth;
- (2) women;
- (3) returning emigrants; and
- (4) younger engineers, scientists, technical and experienced business persons. This group is abbreviated as 'younger engineers' in the text.

1.2.2. Secondary Objectives

1.2.2.1. Regional Objectives

A secondary objective -- and one related to the choice of several of the target populations (i.e., youth, women, and possibly returning emigrants) is the promotion of entrepreneurship and new enterprises in the second and third rank cities of the nation and their rural hinterlands. ETEPAP, however, is not a growth pole approach to development.

1.2.2.2. Employment

A secondary objective is the stimulation of employment opportunities, particularly away from the major urban centers.

1.2.3. Lower Order Objectives

1.2.3.1. Restructuring

ETEAP should aid in the restructuring of national industry from both a regional and sectoral point-of-view.

1.2.3.2. Investment Climate

ETEAP should help to create a more hospitable climate for investment from any source.

## 2. A SUGGESTED STRATEGY FOR ETEPAP

There are four elements to ETEPAP's strategy for new entrepreneurs and new enterprises.

### 2.1. Breaking Financial and Institutional Barriers to the Creation of New Enterprises

ETEPAP, as a special credit institution -- a form of investment bank, will have the powers and the capacity to break the existing financial and institutional constraints hampering the movement from productive investment project ideas to viable new small- and medium-sized enterprises. ETEPAP will take equity positions in the new enterprises providing sufficient capital to ensure their qualification for investment incentives under Law 1262/1982 as amended. Subsequently, ETEPAP will sell its equity and transfer its portion of the investment incentives to the new entrepreneurs, replenishing its own funds. ETEPAP's capital is targeted at 500 million drachmas for its initial operating period.

### 2.2. Developing New Entrepreneurs

ETEPAP will develop procedures (Target Population Program Modules: TPPMs) to identify, train and support entrepreneurially oriented members of the Target Populations. Since the TPs vary significantly in terms of sex, age, work experience, own resources, knowledge of business opportunities, educational background, ability to relocate and other significant factors, ETEPAP will have to design some TPPMs for the specific needs of each TP.

### 2.3. Concentration on Smaller Cities and Their Rural Hinterlands

Focusing on the second and third rank cities and their rural hinterlands requires a knowledge of regional potentials.

This analysis requires a statistical database, a method of comparing the level and trajectory of development of the regions, and on-the-spot investigation of the current situation. The level of analysis will be the Nomos (Prefecture) and the Demos (Municipality). Some material will be aggregated at the level of the Periferia (a group of Nomoi). There are 51 Nomoi and 13 Periferia..

2.4. Pilot Testing of ETEPAP's Programs

The requirement to coordinate financial, institutional, entrepreneurial and regional analysis in support of the efforts of the TPs suggests the necessity of testing ETEPAP in several Nomoi before launching a national campaign. ETEPAP should choose those Nomoi that have the highest probability of usefully absorbing its programs consistent with its stated objectives.



### 3. TARGET POPULATION DEFICIENCIES

The Target Populations have very disparate characteristics, but some deficiencies in common. Many of the activities of ETEPAP, discussed in detail in section 5 below, are designed to reduce the effect of these common deficiencies. However, each ETEPAP TP program will have to define the relevant characteristics of its TP in order to develop that TP's strengths and ameliorate its weaknesses. Individual variation within a TP will also require attention.

#### 3.1. Negative Characteristics of Target Populations

From the point-of-view of negative characteristics, both youth and women are likely to have significantly greater initial disadvantages than some returning emigrants or younger engineers. A recent analysis emphasizing the need for support structures for those seeking to start new small-scale local enterprises in France listed the following deficiencies that need to be overcome: (P. Kuentsler, International Labor Review, March-April 1984)

- (1) the cultural gap between them (the TPs) and decision-makers in institutions such as public offices and banks;
- (2) their lack of self-confidence and of credibility among the officials with whom they have to deal;
- (3) their psychological and social isolation, especially if they have been unemployed for some time (or have never been employed);
- (4) the difficulty of finding and putting together the information they need, especially since it is often widely dispersed;

- (5) their lack of resources, especially financial resources in the early stages of their own efforts;
- (6) ignorance or a false view of the market and/or their own capabilities;
- (7) insufficient awareness of the need for suitable management techniques;
- (8) ignorance of commercial procedures.

### 3.2. Preliminary Listing of Individual Target Population

#### Characteristics

Using the characteristics of section 3.1. above and others associated with potential enterprise success, Table 1 provides a preliminary assignment by Target Population. Particular entrepreneurial characteristics such as risk-taking, leadership, and the Schumpeterian desire to combine resources in new and progressive ways are not discussed in this report due to lack of data. It is assumed that all TPs have members with an entrepreneurial bent, and that they exist in sufficient numbers so that ETEPAP will not lack potential new entrepreneurs. UNIDO's European Regional Program in Entrepreneurship Development will utilize cross-cultural psychological testing for possession of characteristics associated with entrepreneurial activity. This has been included as one of the activities proposed for ETEPAP.

**TABLE 1: Enterprise Creation -- Selected Characteristics of Target Populations**

- + Possesses Desired Characteristic
- Lacks Desired Characteristic
- ? May or May Not Possess Desired Characteristic

	<u>Target Populations</u>			
	<u>Youth</u>	<u>Women</u>	<u>Returning Emigrants</u>	<u>Younger Engineers</u>
<b>I. <u>General Characteristics</u></b>				
1. Are part of or are easily assimilable into the dominant cultural group	-	-	-	+
2. Are self-confident	-	-	?	+
3. Have an accurate picture of their own capabilities	-	-	?	?
<b>II. <u>Enterprise Associated Characteristics</u></b>				
1. Have <sup>sufficient</sup> assets, financial and/or real to use as 'own' capital or collateral	-	-	? +	-
2. Have credibility as potential borrowers of finance capital	-	-	?	+
3. Have (potentially) viable investment project ideas	?	?	? +	+
4. Have knowledge of business and technical information sources and their location	-	-	-	+
5. Have a clear understanding of markets	-	-	-	?
6. Have knowledge of commercial procedures	-	-	-	?

TABLE 1: Continued

	<u>Target Populations</u>			
	<u>Youth</u>	<u>Women</u>	<u>Returning Emigrants</u>	<u>Younger Engineers</u>
7. Are aware of the necessity for suitable management technique	-	..	?	?
8. Have some (potentially) usable workplace skills	-	-	+	+
9. Have some managerial experience	-	-	?	?
10. Have the ability to undertake a Feasibility Study for an investment project	-	-	-	+
11. Have locational mobility*	-	-	? +	+

\* Youth and women are assumed to develop projects in their own areas. Returning emigrants clearly have mobility. Those who have already returned may not.

### 3.3. Target Population Program Modules (TPPMs)

The program for each Target Population is composed of modules which are discussed as the substantive (non-administrative) activities of ETEPAP in sections 4. and 5. below. Each activity for a specific TP constitutes a module and the entire range of activities (or modules) constitutes a TP program. The modules may be identical across two or more TPs or they may differ for every TP. Theoretically, for each activity there could be a maximum of four modules, one for each TP, and a minimum of one module serving all the TPs. The aim here is to reduce ETEPAP's costs and increase its effectiveness by carefully singling out those TPs requiring their own module for a specific activity in order to overcome a deficiency or develop a strength. The other modules can then be utilized for several or all the TPs without differentiation. A separate report will deal with the pilot program for ETEPAP.

4. ACTIVITIES OF ETEPAP: RESPONSIBILITIES FOR DEVELOPMENT AND IMPLEMENTATION

Most of the activities of ETEPAP are associated with the programs for each of the Target populations (see section 3 above). To achieve economies in costs and increase effectiveness each activity, other than administrative ones, is considered as a Target Population Program Module. An activity needs to be analyzed in two dimensions. The first is whether or not ETEPAP should undertake the activity itself or share responsibility with others. The second is the degree to which TPPMs can be shared across Target Populations. Both dimensions are aimed at concentrating ETEPAP's efforts on those activities which are crucial to the overall success of the program and limiting its own staff size while utilizing (free or on a paid basis) the services and support of other public and private institutions, organizations, companies and individuals at national, regional and local levels. This section develops the principles under which ETEPAP should or should not undertake an activity itself. The proposed activity set for ETEPAP consists of the following:

- (1) the creation of an institutional environment conducive to entrepreneurship and new enterprise development;
- (2) outreach programs for target populations;
- (3) entrepreneurship development through identification and training of entrepreneurially oriented individuals and groups from the target populations;
- (4) developing investment project ideas;
- (5) appraisal of investment project ideas;

- (6) preparing feasibility studies suitable for a project implementation decision;
- (7) financial packages for new enterprises and new entrepreneurs;
- (8) programs to implement investment projects;
- (9) programs to provide continuing advice and assistance during project start-up and continuing operations;
- (10) development of regional data and databases to assist in the promotion of ETEPAP's programs;
- (11) development of local support groups in the Nomoi (Prefectures);
- (12) development of the pilot program for ETEPAP; and
- (13) evaluation of ETEPAP's activities.

In terms of precedence in time, activities are first developed and then implemented. Either of these aspects of an activity can be undertaken independently by ETEPAP, given completely to others or developed as a joint exercise. Whether worked out independently or jointly, some activity development and/or implementation is important because it is an expression of ETEPAP's basic responsibilities. These are called 'core' responsibilities.

#### 4.1. Responsibility for ETEPAP Activities

The range of activities for ETEPAP is very broad and it is far from desirable that this new company try to provide them all with its own staff. A possible separation of activities involves a dual classification: activities can be classified

according to who develops them and who implements them.

These categories can be further assessed according to whether ETEPAP needs to take the leading role -- a 'core' responsibility, whether ETEPAP has 'supervisory and coordination' functions only, or whether it is to be undertaken by others -- a 'non-core' responsibility. This separation recognizes that there are other organizations which have responsibilities and powers in the same areas as ETEPAP, and that they may provide either free or for a fee certain services to ETEPAP. It also recognizes that for certain 'core' activities ETEPAP may cooperate with others in development and/or implementation.

#### 4.1.1. Development vs Implementation of Activities

In some ways the choice of development vs implementation is part of an effort to introduce the concept of the corporate 'make or buy' decision to the planning of ETEPAP's mode of operation. The other part is the core and non-core distinction. The fundamental idea is to determine whether the company can more cheaply and without any loss in efficiency (in its broader sense) perform the activity itself -- make the product or service -- or obtain it on better and more profitable terms from others. Since this is the kind of decision that will arise often in the analysis of new enterprises to be promoted, ETEPAP itself should be sensitive to this choice.



4.1.1.1. Making Efficient Use of ETEPAP's Funds: The Issue of Staff Size

ETEPAP will be capitalized with 500 million drachmas. This is not an overly large sum considering that ETEPAP will act as a special credit institution in accord with its other activities. This report assumes that ETEPAP should start with a relatively small staff consistent with its 'core' and 'supervisory and coordination' tasks while cooperating with or subcontracting to others. There are five reasons for this assumption.

- (1) A large staff would commit too much of ETEPAP's funds to fixed internal expenditure instead of being able to adjust spending according to the actual needs of the TPs.
- (2) Experienced and capable personnel in ETEPAP's area are in very short supply in Greece. They are difficult to locate, difficult to entice away to a new institution and expensive. It is much easier to subcontract work to them directly or to their companies.
- (3) An attempt to fulfill all of ETEPAP's activities with its own staff will result in a lengthy delay until personnel are hired, organized, supplied with the necessary infrastructure for their jobs and oriented to the fulfillment of their tasks.

- (4) By subcontracting or cooperating with others ETEPAP has the possibility of developing fruitful relationships with other developmental institutions.
- (5) The suggested arrangement will, very importantly, economize on the time spent by ETEPAP's own management in the creation of the institution. More time will be available for substantive issues.

#### 4.1.1.2. Development of Activities

ETEAP needs to develop all of its activities. It is unlikely that this work can be given to others without a significant loss of control over the substantive content of ETEAP's programs. In some instances ETEAP will cooperate with others when there is an overlap of responsibilities or complex arrangements are required. Development involves determining which activities are necessary, thinking through what is required for a particular activity, envisioning its mode of operation and intended results, budgeting, making all the arrangements for the realization of the activity, and making provision for activity evaluation.

#### 4.1.1.3. Implementation of Activities

Once it has done the development work, ETEAP management will be in a position to analyze more carefully its own 'make or buy' decisions. This report proposes that a major effort be made to 'buy' rather than 'make' activities in order to both

conserve funds and provide services more efficiently. This judgement is based on more than the issues of staff size as discussed in section 4.1.1.1. above. It takes a long time to develop the kind of in-house organizational expertise required for the technical, economic and financial analysis of new projects and new entrepreneurs. As a new special credit institution ETEPAP will be under great pressure to produce some results quickly. Unless it develops subcontracting relations, it will be difficult to move forward at a reasonable pace. ETEPAP also needs to recognize that many consultants in Greece are not at a level high enough to meet EC standards. ETEPAP will have to shop carefully for its subcontractors.

4.1.2. Core, Supervisory and Coordination, and Non-Core Responsibilities

Table 2, below, contains the suggested list of ETEPAP's activities, subdivided according to activity development vs implementation on one hand, and according to whether they are core, supervisory and coordination, and non-core on the other.

4.1.2.1. Core Responsibilities

Core responsibilities consist of those that ETEPAP must itself meet in order to be an effective organization. These cannot be fully subcontracted as they are not directly available from others in a usable form. Alternatively, it would take so long to inform others of the requisites for the particular

activity that it would be less time consuming to undertake it in-house. Others, though, may have the same general responsibilities, e.g., project evaluation and financing, small and medium enterprises, etc. which naturally leads to cooperation. ETEPAP must have sufficient staff to meet its core responsibilities.

4.1.2.2. Supervisory and Coordination Responsibilities

Some activities, undertaken by others either separately or cooperatively, will require supervision and/or coordination from ETEPAP. In many instances where there is governmental statutory responsibility for a given activity, e.g. incentive approvals for projects, ETEPAP will have to coordinate for its TPs. Where ETEPAP is the subcontracting company or where ETEPAP is trying to develop local support groups, supervision will initially be required.

4.1.2.3. Non-Core Responsibilities

These are shown in order to clarify core and supervision and coordination responsibilities. They may arise either through subcontracting, statutory responsibility, outreach activities or passive cooperation with others.

TABLE 2: Overview of ETEPAP's Suggested Activities and Responsibilities

Activities	Responsibilities		
	Core	Supervision and Coordination	Non-Core
x: Responsibility ?: May or may not choose to be responsible			
1. Creation of an institutional environment conducive to entrepreneurship and new enterprise development			
1. Activity Development	x		
2. Activity Implementation	x		
2. Outreach programs for target populations			
1. Activity Development	x		x
2. Activity Implementation	x		x
3. Entrepreneurship development through identification and training of entrepreneurially oriented individuals and groups from the target populations			
1. Activity Development	x		x
2. Activity Implementation	?	x	x
4. Developing investment project ideas			
1. Activity Development	x		x
2. Activity Implementation		x	x
5. Appraisal of investment project ideas			
1. Activity Development	x		x
2. Activity Implementation	?	x	x
6. Preparation of Feasibility Studies suitable for a project implementation decision			
1. Activity Development	x		x
2. Activity Implementation		x	x

TABLE 2: Continued

	<u>Responsibilities</u>		
	<u>Core</u>	<u>Supervision and Coordination</u>	<u>Non- Core</u>
7. Financial packages for new enterprises and new entrepreneurs			
1. Activity Development	x		x
2. Activity Implementation	x		x
8. Programs to implement investment projects			
1. Activity Development	x		x
2. Activity Implementation		x	x
9. Programs to provide continuing advice and assistance during project start-up and continuing operations			
1. Activity Development	x		x
2. Activity Implementation		x	x
10. Development of regional data and databases to assist in the promotion of ETEPAP's programs			
1. Activity Development	x		x
2. Activity Implementation		x	x
11. Development of local support groups in the Nomoi			
1. Activity Development	x		x
2. Activity Implementation		x	x
12. Development of the pilot program for ETEPAP			
1. Activity Development	x		x
2. Activity Implementation	x		x
13. Evaluation of ETEPAP's activities			
1. Activity Development	x		
2. Activity Implementation	x		x

## 5. ACTIVITIES OF ETEPAP

The activities discussed below follow the classification presented in Table 2. They are necessary to meet the objectives and implement the strategy of sections 1 and 2 above. An analysis of their application to individual TPs will be contained in a separate report. The activities of ETEPAP, some of which form Target Population Program Modules are the following.

### 5.1. ACTIVITY 1: The Creation of an Institutional Environment Conducive to Entrepreneurship and New Enterprise Development

This activity includes the creation of ETEPAP as an independent incorporated entity, the appointment of its Board of Directors by the competent authorities, the appointment of its senior staff by the new board, the appointment of its staff, and the setting of goals and priorities by the board and senior management. Experienced business people should be placed at the senior management level. This will be possible as ETEPAP is to be an independent incorporated entity able to pay salaries high enough to attract people from the private sector. Activity 1 is solely a core activity.

#### 5.1.1. ETEPAP Should Be an Independent Incorporated Entity

In addition to the need to compete with the salaries paid in the private sector in order to attract competent and experienced businesspeople familiar with enterprise start-ups and management problems, ETEPAP needs to avoid the excessive bureaucratization associated with formal status as a government agency. If ETEPAP is subjected

to these forces in its own internal mechanism there will be difficulty in obtaining positive results from programs which are inherently problematic, requiring judgement, flexibility and an understanding of individual differences. The TPs will quickly realize whether or not ETEPAP can make a positive contribution to the realization of their entrepreneurial abilities. Of course those ministries and organizations contributing to ETEPAP's capital need to be represented on the Board of Directors which sets policy. ETEPAP's separateness from the ordinary bureaucracy will not be unsupervised by the competent authorities -- its day-to-day operations will be insulated if it is incorporated as an independent entity.

5.1.2. ETEAP Staff

Since the business of ETEPAP is promoting new enterprises formed by new entrepreneurs, those appointed to the board and senior management should have experience in the private business sector. While part of the board will be appointed by the government, the remainder can include prominent businesspeople. Senior management can be recruited from the private sector at appropriate salaries. ETEPAP's willingness to pay competitive salaries will be an important indicator of its serious intent and the effort expected from the staff.



5.2. ACTIVITY 2: Outreach Programs for Target Populations (TPs)

This is both a core and non-core activity as many other public and private organizations are involved in similar programs. As a special credit institution, ETEPAP will need to interface with other institutions when their TPs coincide. Some of the existing programs are discussed below in this section or under other activities. This Target Population Program module (TPPM) will have to be differentiated for each of the TPs. An important aspect differentiating the TPs is their current location and the expected location of their new enterprises. The emphasis on second and third rank cities makes location a prime characteristic.

5.2.1. Location-Specific Target Populations

The TPs whose location is deemed fixed (at the level of the Nomos or periferia) are youth, women and emigrants who have already returned. These groups are assumed to propose projects for realization within the region in which they live although this is not an absolute requirement for funding. Outreach programs for these TPs will have to be at the level of the Demos (City) and Nomos if they are to have their desired effect. Local support groups (see section 5.11. below) will, hopefully, form an important part of the outreach effort. Advertising in the media appropriate to the area can also be used.

### 5.2.2. Returning Emigrants and Younger Engineers

Returning emigrants will have to be informed in the country where they are located. Large numbers of potential returnees are in West Germany, Sweden, Australia and New Zealand. Some reside in Canada and the United States. In each case the outreach program will have to be developed in cooperation with the Secretariat for Greeks Abroad of the Ministry of Culture. This may also be the case for younger engineers who reside abroad. From a general aspect, the program for younger engineers is national in scope and needs to be approached in this manner from the start. Unlike the other programs, the younger engineers will be located only in Athens during the period when they develop their Feasibility Studies.

### 5.2.3. Sexism and Outreach Programs

Given the prevailing attitudes in Greece toward women and independent work, particularly away from the capital, it is likely that separate outreach programs will have to be developed for youth and women despite their identical location. Experience indicates that women in Greece do not directly compete with men (for the usual reasons) making it necessary to separate this module and training modules (see section 5.3. below). The Secretariat of Equality (for women) of the Ministry to the Presidency has begun to develop seminars for women. The first was a one-day program on economic management; a seminar on agrotourism (or rural tourism) is planned.

ETEPAP should develop contacts with this secretariat. One approach is to participate in these seminars in order to inform the interested women of ETEPAP's activities. Another approach is to prepare material to be distributed at these seminars or mailed to the seminar participants. These are inexpensive ways to reach members of any of the TPs.

5.3. ACTIVITY 3: Entrepreneurship Development Through Identification and Training of Entrepreneurially Oriented Individuals and Groups from the Target Populations

This is a core and non-core activity for both development and implementation

5.3.1. Identification of Potential Entrepreneurs

First, there is an immediate need to develop a screening process to determine which interested members of the TPs possess the characteristics associated with entrepreneurial activity. UNIDO, for example, is currently developing a cross-cultural psychological test to screen applicants for precisely this kind of program. This is a part of UNIDO's European Regional Entrepreneurship Development Program which will inaugurate and test a variety of programs designed to detect, promote and develop entrepreneurial activity among youth, women, returning emigrants and people in rural areas. ETEPAP (or the Ministry on ETEPAP's behalf) should seriously consider participating in this program.

The Hellenic Organization for Small- and Medium-Sized Manufacturing and Handicrafts (EOMMEX) has just started a program for the creation of new businesspeople. The class of 30 persons was screened by interviews which emphasized their knowledge of the industry in which they plan to open a business and other factors contributing to the success of new enterprises. The Hellenic Center for Productivity (ELKEPA) is collaborating with the

European Foundation of Management Development (Brussels) to develop programs to promote entrepreneurial characteristics and competence. ELKEPA has started PAVE, the Program for the Development of Industrial Companies, in cooperation with the Dutch Institute of Management from whom they have obtained the materials and the European Social Fund. Of 15 months duration, the program seeks to upgrade the entrepreneurial characteristics of owners of industrial companies.. The screening criterion is an impartial estimate of the possibility that an applicants company can develop rapidly if the owner receives the training. This approach is openly more psychological in orientation than that of EOMMEX. The Organization for the Employment of the Labor Force (OAED) has a small subsidy program for independent professionals whose major characteristic is that they have already opened their business.

### 5.3.2. Training for Potential Entrepreneurs

Second, training, both to heighten entrepreneurial traits and to develop management skills for the accepted applicants will vary according to their initial level of experience and knowledge and the complexity associated with the proposed new enterprise. See section 5.5. below for a discussion of complexity. It is expected that youth and women will propose the least complex businesses, followed by returning emigrants. Young engineers can be expected to propose projects which can be competitive at the European level. Training will then vary by TP, although some TPPMs can be combined, and thus, it will also vary by location. Youth and women are more tied to specific locations for both training and new enterprise formation. An important part of training is participation by the new entrepreneur in the preparation of the Feasibility Study as discussed in section 5.6. below.

The EOMMEX program discussed above consists of three stages: stage one lasts for three weeks and aims at upgrading entrepreneurial characteristics and competence; stage two which lasts for four months concentrates on the prerequisite knowledge needed to make a business plan; and stage three which lasts for three-four weeks concentrates on operating a business. ETEPAP could usefully help to finance some of the business proposals as EOMMEX does not have the funds.

Since both EOMMEX and ELKEPA have training programs in existence, ETEPAP may either subcontract or direct its TPs to utilize these programs. Both organizations have offices in several locations. EOMMEX has 26 branch offices covering Greece. This has great advantages for those TPs who are tied to specific locations and particularly for women who may have family responsibilities.

### 5.3.3. Levels of Identification and Training

Developing both selective and non-selective methods of new entrepreneur identification and training are necessary.

#### 5.3.3.1. Initial Identification

It is not desirable to, for example, initiate ETEPAP's pilot program by offering to give psychological tests to those people who want to become entrepreneurs. Some people with talent and ability do not want to take tests for reasons of unfamiliarity or because of fear of failure or other reasons. This may be especially true for women whose self-esteem has suffered from sexist practices. People in rural areas may not be used to tests. It is suggested that non-selective 'awareness seminars' aimed at informing people about the pros and cons of starting a small business be held, jointly sponsored by ETEPAP and other central/local governmental and non-governmental organizations. See sections 5.3.3.3. below on current practice in England and section 5.11. below on local support groups.

From the point-of-view of developing ETEPAP, these awareness seminars can indicate the level of interest in entrepreneurship. Follow-up by direct contact with the seminar attendees becomes an important source of potential entrepreneurs.

5.3.3.2. Selective Training

Using formal written testing and/or interview techniques should be required for selection into one of the TP programs. The range and depth of the training depends upon those factors discussed in this section and in section 5.11. Experience in England suggests that TPs want and can absorb a considerable amount of training.

5.3.3.3. Current English Practice

There are four levels of entrepreneurial training currently in use in England. Most of these are offered through the Manpower Services Commission 'Training for Enterprise' program. The levels are, starting from the most selective program:

- (1) Graduate Enterprise Programs. These are highly selective programs of anywhere from 6 to 16 weeks duration offered at Business Schools. They are open only to college graduates who want to start their own businesses. The programs offer part residential instruction in business skills followed by project work to plan the new business. Since Greece does not have <sup>this type of</sup> a Business School, this form of program would have to be



put together from various sources. The proposed program for younger engineers has this characteristic.

- (2) Small Business Development Courses. These are selective courses aimed at new entrepreneurs with smaller projects than those suitable for the Graduate Enterprise Program. The course is 8-10 weeks of classroom work plus a period for launching the new enterprise. It is offered at many locations and is sometimes available on a part-time evening basis.
- (3) Self-Employment Courses  
These courses have few entrance criteria, range from the part-time equivalent of 1 week up to 6 weeks full time. They average two weeks. This program is most suitable for those who expect to employ only themselves under a special UK program paying a subsidy for new self-employment enterprises.
- (4) Self-Employment Awareness Seminars. These non-selective courses are 18 hours in length with the aim of informing people about their opportunities in small enterprise.

#### 5.4. ACTIVITY 4: Developing Investment Project Ideas

Project ideas in classical theory are the responsibility of entrepreneurs seeking to control and combine the factors of production in more efficient and/or new ways in order to produce specific products or utilize specific resources. In mixed economies, project ideas are developed at various governmental levels as well as by private sector entrepreneurs. ETEPAP's function is to help in the formation of project ideas by entrepreneurially oriented members of the TPs. The idea may originate with the entrepreneurs or with some other public or private sector group. This is both a core and non-core activity for development purposes. It is suggested that implementation involve only supervision and coordination by ETEPAP.

##### 5.4.1. Types of Project Ideas

For ETEPAP, there are two essential categories of project ideas: first, there are those developed by ETEPAP or other central government institutions (e.g., development banks, planning organizations, ministries, etc.) and called Centrally Generated Project Initiatives (CGPI); and second, there are those developed within the TPs or by other groups or individuals (e.g., local authorities, private sector, etc.) and called Locally Generated Project Initiatives (LGPI). The two types are usually generated by different processes, with the CGPI coming as a result of national sectoral analysis or the desire to exploit some large-scale natural resource, while the LGPI represent some particular inspiration

or expertise concerning markets, products, processes, local needs, resources, etc. Of course some large enterprises plan in a way similar to the CGPI, but this is not the case in Greece. Another way of distinguishing these two categories is by calling the first an example of 'project ideas from above' and the second 'project ideas from below'. Although they complement each other, priority is usually given to ideas from above in the context of government programs. Since the policy of the Government is to give priority to ideas from below, ETEPAP's focus should be on these, but not to the exclusion of offering good ideas based on centrally developed analyses.

5.4.1.1. The Nature of Project Ideas

Project ideas are just that. They represent the judgement of more or less informed persons (often based on a more or less detailed study) about what might be a feasible investment project.

5.4.1.2. Centrally Generated Project Initiatives (CGPI)

The development of project ideas by organs of the central government is important for precisely the reason that they do usually provide some sectoral analysis and thus have an overview of the national (or perhaps regional) market which is generally lacking in LGPI. The CGPI can serve as guides to the development of local projects, provide inform-

ation on mineral deposits, forests and other natural resources whose potential requires the expert analysis of the specialists employed by the central government. These studies are usually at a fairly high level of generality when it comes to project ideas. Exploiting a mineral deposit may or may not be commercially feasible irrespective of the quality of the ore. Nonetheless, there are many good projects suggested within these studies. Three examples of studies which contain project ideas at a high level of generality are the "Automobile Industry" and the "Machinery Industry", both in the UNIDO sponsored Integrated Activity Complex at KEPE, and another UNIDO sponsored study at KEPE entitled "Development Prospects of the Small-Medium Industry and Recommendations for Appropriate Policies and Programs". Other studies are available from KEPE, ETVA, EOMMEX, etc. ETEPAP needs to become the source of these studies and reports as well as EC material for its TPs.

5.4.1.3. Locally Generated Project Initiatives (LGPI)

This category consists of all project ideas not generated by the central authorities. It includes ideas from the existing private sector, new entrepreneurs (whether individuals, partnerships, joint stock companies, cooperatives, etc.), local auth-

orities and foreign investment. The central government may or may not be a partner or lender, or provide incentives to these projects if realized. An important characteristic of LGPI in Greece is that they are generally smaller in size (capital cost, employment, etc.) than CGPI. A reason for this is that governments like to deal with large projects as the fixed costs in time are very similar across project sizes for senior government executives. Unfortunately the same pattern exists for commercial banks who report relatively high fixed costs for analyzing small projects as compared to larger ones. It is thus more profitable to avoid small business and concentrate on large. Commercial banks in Greece are no different and this is a crucial reason for the creation of ETEPAP.

ETEPAP needs to develop contacts with the research and consulting institutions and firms of the private sector. The Institute of Economic and Industrial Research (IOBE) has prepared many sectoral studies.

5.4.2. Active Democratic Planning and Implementation

The dichotomy of LGPI and CGPI is important for the formation of Government policy. The Five-Year Plan, 1983-1987 was developed on the basis of Active Democratic Planning, a process consisting of project proposals generated at locality meetings within a Nomos, the

consolidation and choice of these LGPI at the level of the Nomos followed by a series of iterations and negotiations between Nomoi authorities and the central government leading to an agreed plan. Needless to say, the main weight of preference was, for the final plan, given to the central government choices although there was a major effort to include those projects deemed crucial by the Nomoi authorities. As for plan implementation, the further in time the implementation from the original plan, the less likely the two were to coincide. Although this is true for all plans, divergence was great. Thus, although planning was democratized, implementation took its own route.

In addition, almost all the proposed projects were infrastructure. Of more than 2,000 LGPI less than 50 were for directly productive activities. It is likely, on the one hand, that projects which were usually undertaken by the government, e.g. infrastructure, were the ones proposed, and on the other hand, there was little effort made to redirect the proposals as the analyses required to propose alternatives were unavailable.

A significant amount of sector and branch analysis is now available so that planning for industrial restructuring is now feasible. What needs to be added is the ability of decentralized units to implement the plans that are developed. ETEPAP is a vehicle for this implementation.

## 5.5. ACTIVITY 5: Appraisal of Investment Project Ideas

One of the most difficult problems facing ETEPAP will be the appraisal of investment project ideas in order to determine for which ideas and potential entrepreneurs funds will be made available for Feasibility Studies. Although the program for younger engineers will require Opportunity Studies rather than merely ideas, the requirement for an appraisal process is no less pressing. The appraisal mechanism developed for project ideas and Opportunity Studies will also be useful for Feasibility Studies (see section 5.6. below). Appraisal will have to explicitly take into account the level of complexity associated with the project idea as management capability is a very scarce resource in the TPs. Some suggestions for this are given below.

### 5.5.1. Appraising Centrally Generated Project Initiatives (CGPI) vs Appraising Locally Generated Project Initiatives (LGPI)

Although there are now more sector and industry studies (CGPI), see section 5.4. above, little has been done to move from project ideas to Feasibility Studies, implementable projects, and implementation. Part of the problem is that the Government has never led the way in this area before so that inexperience has hampered the whole process. Additionally many Government managers have been assigned to problematic firms. In any event, the central authorities have not been able to overcome the fall in investment occasioned by entry into the EC and other

factors sufficiently to begin the major restructuring required in Greek industry. This has again placed more of the developmental burden on LGPI, with the central authorities now possessing a clearer understanding that it is not enough to request investment proposals -- the Government must also help to create the proper conditions for the generation, development, financing and implementation of investment projects by decentralized decision-making units. These programs are likely to be an integral part of the next Five-Year Plan for 1988-1992 which is now being formulated.

5.5.1.1. Centrally Generated Project Initiatives (CGPI)

CGPI come with the imprimature of the central government and are usually the outcome of sector, branch and industry studies. They are not the outcome of entrepreneurial activity. If the underlying analysis has been done competently, the CGPI should be roughly more than just an idea, but less than an opportunity Study (UNIDO, Manual on the Preparation of Feasibility Studies, 1978). CGPI generated for Greece rarely have a sub-national focus unless they are associated with specific natural resources or <sup>other</sup> positional assets. Thus, for ETEPAP's pilot phase the CGPI will have to be evaluated for their viability if located within the specific areas chosen for the test. The same holds true for later phases in different areas.



A few more detailed analyses similar to Opportunity Studies are undertaken by the Industrial Development Bank (ETVA), the Agricultural Bank (ATE), and several ministries.

5.5.1.2. Locally Generated Project Initiatives (LGPI)

LGPI will, for most of ETEPAP's projects, initially consist of just project ideas without the supporting materials that one expects from CGPI. They will also be unlike the projects currently being submitted to the investment incentive law which are fully developed in accordance with the requirements of the law and the needs of the entrepreneurs. The appraisal procedure will thus be more arbitrary for the proposals made to ETEPAP because of the lack of information. This is not so for the younger engineers program which requires an Opportunity Study for potential entrance, but it is highly likely for the other three TPs. There is also a great likelihood that most of the project ideas from women, youth and returning emigrants will be for the requirements of local and regional markets. Appraising these projects will require local knowledge and ETEPAP needs to have a program to harness the local knowledge available (see section 5.11. below). The local knowledge required here will often be different from that of the CGPI. The CGPI are usually associated with national markets and their specific location is a matter of 'regionalization' as they are not as dependent on local and regional purchases although these may be important.

### 5.5.2. Developing the Appraisal Activity

Development of the appraisal activity is both core and non-core as ETEPAP will not have the necessary expertise nor should it attempt to analyze independently either the project ideas (or any subsequent studies) or their appropriateness for a specific location. Reasons for this were given in section 4.1.1.1. above.

ETEPAP will need to develop Project Appraisal Groups, both for project ideas and the more detailed Opportunity and Feasibility Studies. These groups will, ideally, be composed of businesspeople, bankers and technical persons whose judgement is based on considerable experience and expertise in assessing the commercial and technical viability of a proposal. By using outside appraisers, ETEPAP will be able to rapidly put appraisal groups into action, especially in the Nomoi chosen for the pilot program. Experts can be enlisted from the local support groups of section 5.11. below, from the organizations who are also engaged in identification and training of entrepreneurs, section 5.3. above, from the consulting and engineering groups at a national level and from the universities.

Local knowledge is extremely important in evaluating projects. Every effort should be made to secure the needed cooperation of the groups listed in section 5.11. above. Of course, local interests may not always be open to new enterprises and this must be countered by the

inclusion of members of the other groups mentioned in the preceding paragraph. Individuals should be paid for their participation in a Project Appraisal Group.

### 5.5.3. The Project Idea Appraisal Process

It is probably the case that, given ETEPAP's goals and the general level of project idea proposals, a great deal of money will, at least initially, have to be spent on studies which indicate that a project idea is not viable. Thus it is very desirable to develop a process by which the likely flood of project ideas can be divided into those which merit, however slightly, further study and those which are clearly non-starters. The survivor criterion presented in the UNIDO study "Development Prospects of the Small-Medium Industry and Recommendations for Appropriate Policies and Programs in Greece" (KEPE, 1980) is an extremely useful way of looking at project ideas. It cannot provide information on project ideas that are new elsewhere as well as in Greece (e.g., computer software) or on projects for which Greece's changing comparative advantage now makes production/possible. The project idea appraisal process can look at just a few of the facets of the potential project's facets, and those mainly on the technical, managerial, marketing and other non-financial sides. There will not initially be any data that could be considered sufficient for financial analysis, but the group should make an effort to define the total capital required even if only as an order of magnitude.

It is suggested that project ideas be initially appraised according to their complexity. The greater the complexity, the greater will be the need for managerial skills. Listed below are five selected enterprise complexity dimensions. Each of the dimensions has (somewhat arbitrarily) four levels of complexity, with the simplest assigned number 1 and the most complex number 4. Other aspects of complexity can be added where they are desirable. Project ideas can be appraised directly as potentially viable or very probably non-viable with the latter discarded. In addition to project idea viability, the appraisal groups can compare the complexity rank of a project idea with the estimated competence of the project proposers. There should be some correspondence between what the project idea proposers feel that they are capable of doing and their qualifications as assessed by the working groups. Appraisers need to remember that the TPs will undergo considerable training before they implement the projects so it is their potential and not only their current qualifications. ETEPAP needs to guard against both unconscious and conscious sexism biasing the committees judgements.

Alternatively the working groups can seek to match project ideas (from CGPI, for example) with persons who have the entrepreneurial qualifications to carry them out. Another alternative is to train project idea proposers in several sessions before they make a project commitment. Self-awareness of strengths and limitations is often a key to successful action.

The selected enterprise complexity dimensions cover, non-parametrically, the reduced set of national parameters suggested in UNIDO, Manual of Evaluation of Industrial Projects, 1980. Naturally, the appraisers will enrich these categories with their own special knowledge and experience. The categories are: (1) physical input availability; (2) human skills required; (3) production processes needed; (4) marketing area and distribution channels; and (5) the nature of competitors. Capital requirements are not specifically included but their size is always a factor. The effect of Greece's membership in the EC must be assessed for every proposal.

5.5.3.1. Physical input Availability

For each important input, the geographic source of production is an indication, in part, of the complexity of the procurement process, and whether the use of an input contributes to national net value added or uses foreign exchange. It also indicates possible sources of competitive strength for the project idea if the input is for example, produced locally or regionally and therefore possibly more costly to differently located competitors. This may be important for agroindustrial projects. The four categories are:

1. Locally produced
2. Regionally produced
3. Nationally produced
4. Imported

5.5.3.2. Human Skills Required

The higher the level of skill/education required for the new enterprise, the more complex or advanced the project is likely to be, and the more expertise and experience needed by the project idea originators or possible implementers. It is also an indirect measure of value added. The four categories are:

1. Unskilled
2. Semi-skilled
3. Skilled
4. Professional and technical

5.5.3.3. Number of Different Production Processes

This is a proxy for managerial problems relating to control, supervision, coordination and scheduling of production. A larger number of processes makes production more complex and problematic. The four categories are:

1. 1 or 2 processes
2. 3 or 4 processes
3. 5 or 6 processes
4. 7 or more processes

5.5.3.4. Marketing Area and Distribution Channels

The size of the expected marketing area and the setting up of own or using existing distribution channels indicates not only the complexity of the marketing effort but its initial cost as well.

Exports are included as a category but it is well known that new and small firms find this activity particularly difficult. The four categories are:

1. Local
2. Regional
3. National
4. Exports

5.5.3.5. Nature of the Competition

The assessment of the competition's strength in relation to technology, quality, distribution, marketing and so on indicates the level of efficiency, quality, etc. that the new firm will have to meet. Reliance has been placed on the competitor's location and market spread to combine the many dimensions contained in the concept of competition.

The four categories are:

1. Local competition
2. Regional competition
3. National competition
4. Imports

5.6. ACTIVITY 6: Preparing Feasibility Studies Suitable for a Project Implementation Decision

Project ideas which have passed the appraisal process and Opportunity Studies approved in the younger engineers program are developed into Feasibility Studies suitable for deciding if the project should or should not be implemented. There are manuals on the preparation of Feasibility Studies (e.g., UNIDO, Manual for the Preparation of Feasibility Studies, 1978) and the exact form should correspond to the depth needed to make the final decision. Small projects do not need expensive and time-consuming studies. For reasons similar to those discussed in section 5.5. above, this is both a core and non-core activity. Irrespective of size, Feasibility Studies are not cheap and ETEPAP should make an effort to get as much as possible out of their preparation. This requires that those who are to be the new entrepreneurs participate in the study and that the studies be developed in modular form.

5.6.1. Participation of New Entrepreneurs in the Preparation of the Feasibility Studies

The members of the youth, women and returning emigrants TPs are likely to have little real acquaintance with all the technical, economic and financial aspects of investment project preparation. They are also likely to be inexperienced enough so that if given a completed Feasibility Study to implement, they would be unable to do so. At the Mondragon Industrial Cooperative in Spain,



a member of a group desiring to form a new cooperative is designated as the potential manager. This person participates in all phases of the Feasibility Study so that he/she is fully acquainted with not only every aspect of the completed study, but also with all the discarded alternatives. This takes place at the Caja Laboral Popular, the bank associated with the Mondragon Cooperatives. The designated manager is paired with an experienced person from the bank's studies department and may select a bank idea (CGPI) or bring an idea to the bank (LGPI). Those who have studied Mondragon's operations believe that this process of training the new manager has been crucial to the success of the new cooperatives. It also gives the bank, as the major lender, an opportunity to look over and evaluate the potential manager. ETEPAP should be afforded the same opportunity. At present the process of preparing a Feasibility Study at Mondragon takes more than 18 months because of the size of the projects. Only the younger engineers program envisages a similar time span. ETEPAP should fund a similar process for the new entrepreneurs in its programs. Each individual or one from a group chosen to be the manager should participate from beginning to end in the preparation of the Feasibility Study in order to be fully conversant with the project. ETEPAP will have to find engineering firms, consultants, etc., willing to take on these new entrepreneurs in

their own offices and spend time with them to instruct them in their tasks. The costs of this (such as living expenses) can eventually be recovered by ETEPAP when the business, if successful, is purchased by the new entrepreneurs (see section 5.7.4.3. below). Alternatively ETEPAP can require the new entrepreneurs to pay their own costs. Mondragon uses the former procedure, making the cost a loan to the new enterprise. Since ETEPAP will be paying for quite a few Feasibility Studies, it should have the market power to insist on these arrangements.

#### 5.6.2. Modular Feasibility Studies

Given the expense of Feasibility Studies, they should be prepared in 'modular' form so that large parts of one study can be carried over to the next which may be for a different region. A modular Feasibility Study is one of a series with a constant format so that ready comparisons can be made in the event of a very similar proposal for that project. The format is designed to separate technological choices from others.

#### 5.6.3. Appraisal of Feasibility Studies

Committees to appraise the completed Feasibility Studies on ETEPAP's behalf should be formed. The committees, much like those appraising project ideas, see section 5.5.2.3. above, should consist of bankers, business-people and appropriate technical experts. This appraisal process is necessary as an independent check before

ETEPAP commits itself to becoming a shareholder.

There is an appraisal process under Investment Incentive Law 1262/1982 but this occurs after ETEPAF's commitment.

These Appraisal Committees can also be used to evaluate the Opportunity Studies which are a requirement for entrance into the young engineers program.

5.7. ACTIVITY 7: Financial Packages for New Enterprises and New Entrepreneurs

The key element in ETEPAP's activities is the development of financing sources and financial packages to meet the needs of the new entrepreneurs and the new enterprises.

To start with, ETEPAP itself is a special credit institution -- a form of investment bank -- whose entire resources are devoted to the development and financing of start-ups of new enterprises by members of the TPs. ETEPAP itself is financed by the Ministry of National Economy and the Hellenic Industrial Development Bank who will contribute 500 million drachmas for initial operations.

5.7.1. Equity Participation

ETEAPAP will take equity positions in the new enterprises it finances, taking losses if the business is unsuccessful and selling out at cost if that is desired by its partners. ETEAPAP's aim is to create new viable enterprises and then move on. It does not seek to make a large profit on the sale of equity as does a venture capital company. On the other hand, ETEAPAP is not designed to provide operating subsidies to its companies. If the business is not commercially viable it will be allowed to die. This basis of operation will mean that some of ETEAPAP's money will be returned for new companies to be formed but losses can only be made up by new financing from the Government.

5.7.2. Use of Existing Investment Incentive Programs

The basic principle of ETEPAP project financing, developed in 1984, is to utilize the opportunities available to investors under Investment Incentive Law 1262/1982 as amended. Law 1262 offers a wide variety of incentives which depend upon more than 15 criteria. This law is currently being revised to provide more incentives for investment in the areas surrounding the larger cities. The Feasibility Studies should accurately define all the categories needed for Law 1262 evaluation. Special incentives are given for investments by returning emigrants, cooperatives, local government, and other categories of lesser immediate interest to ETEPAP.

Of greater interest to the foundation of ETEPAP is the proportion of 'own' capital required of the new entrepreneurs, the proportion of total capital given as a grant by the Government, and the terms on which loan capital is available from others. These categories describe the fundamental parameters within which ETEPAP will function. In order to meet the 'own' capital requirements of Law 1262 and qualify for the grant, it will be necessary for ETEPAP to take an equity position as the new entrepreneurs are not expected to have sufficient capital of their own (see section 5.7.6. below).

### 5.7.3. Financial Structure of Greek Firms

In the discussion below, an underlying fact is that there is, in general, a very low ratio of own to borrowed capital in Greek industry. This leads to excessive company exposure to changes in the interest rate and other lending conditions. Alternative sources of funds are scarce as the organized capital and equity markets function very poorly. Many important firms have become 'problematic' (or overindebted) as interest rates have risen and they have had to be taken over by the Government for rehabilitation. With this as a background, the Government is very cautious about promoting new firms whose balance sheets will be very weak from the outset. At the same time, the Government is desirous of creating new competitive capacity in the secondary sector and in other selected areas such as tourism, computer software, etc. ETEPAP is the vehicle for these investments undertaken by its specific TPs.

### 5.7.4. 'Own' Capital Requirements

Two of the most successful new enterprise promotion schemes, the Grameen Bank in Bangladesh and the Mondragon Cooperatives in the Basque area of Spain have taken very different routes to achieve their goals. However, in each case the issue of 'own' capital has been dealt with as a first priority. The differences in approach stem from differences in the TPs and the opportunities available to them. The important similarity is that both schemes are dominated by a special credit institution with the financial resources to put new enterprises into operation.

5.7.4.1. The Grameen Bank

The Grameen Bank lends only to the poorest villagers in Bangladesh. Any household with more than half an acre of land or assets worth more than the going price for an acre is excluded from membership. This TP does not have any 'own' capital. In order to ensure loan repayment the Grameen relies first on a careful analysis of the use of the loan, supervision of the use of the money once it has been disbursed, and peer pressure for repayment. The peer pressure occurs because potential borrowers are formed into groups of five, train for at least seven days before achieving membership in a Grameen unit, and cannot receive a new loan unless all the other members of their group are repaying regularly. There is thus an incentive for each member of a group of five, and their elected leader, to provide assistance to the other members and press them to meet their obligations. The initial TP for the bank is women who tend to have a better repayment record than men and who are more responsive to their families needs in the use of the income arising from the loan. This pattern serves the dual goal of raising the family incomes of the poorest and increasing the control by women over their own and their families lives. This is consistent with the goals of the Greek Government as well. Once the loan is repaid

members are eligible, if their group is paid-to-date, for another loan and so on.

5.7.4.2. The Mondragon Cooperatives

The TP for the Mondragon Cooperatives is the Basque community in Spain. Started as a nationalist self-help program in the mid-1950s, the cooperatives now employ more than 18,000 people in 150 operating units. From the start, the principle of paying in 'own' capital has been a requirement for membership. The current cost to a new member is about \$7,000 in the form of a refundable interest-bearing deposit. Loan capital has come from Mondragon's own bank, the Caja Laboral Popular. The Caja, unlike the Grameen Bank, is an equity participant in each cooperative on a permanent basis and is the ultimate arbiter of a cooperative's health. The Caja can force through changes in management and any other needed restructuring. In return, the Caja provides solid financial backing plus high quality advice. The requirement for careful preparation of a new cooperative, see section 5.6.1. above, is crucial for success. The U.K. Government has just announced a £200,000 grant to promote Mondragon style cooperatives in the depressed north of England (London Financial Times, 6 May 1987).



5.7.4.3. Comparing the Grameen Bank and the Mondragon Cooperatives

First, the central institution in the success of both programs is a bank committed to providing finance capital to its TPs for new projects (and subsequent expansions). Loans are made in the case of Grameen and a combination of loans and equity participation in the case of Mondragon. The key differences between the two institutions are in their TPs and practices regarding cooperatives. The poorest stratum of Bangladesh's peasantry does not possess any 'own' capital while the Basque area, originally a relatively underdeveloped part of Spain, is nonetheless rich enough to enable its inhabitants to provide a substantial 'own' contribution. The pattern of enforcement, in one case for repayment only, in the other for industrial finance and strategy stems from the emphasis on individual very small/enterprises in Bangladesh and for adequately scaled cooperative enterprises in Mondragon. In rural areas of Bangladesh, however, individuals with little or no land, who are illiterate, lack any socialization into the rhythm of factory work, and do not have ultra-nationalist feelings cementing group solidarity are not likely to make good members of industrial cooperatives.

5.7.5. Lessons for Greece

Both Grameen and Mondragon have found mechanisms to channel their members actions toward commitment to the rules and goals of the institutions. Both use self-interest and community or peer group interests to condition individual behavior. This reduces significantly the cost of enforcing the loan contracts, a significant problem for ordinary commercial and investment banks. On the other hand, both banking institutions have higher pre-loan costs as they <sup>help/</sup>finance the studies necessary for starting a new business. By taking an active interest in the quality of the preparation and the character of the entrepreneur/manager, both Mondragon and Grameen can expect a higher success ratio than other credit institutions for the small businesses that they start. Mondragon's companies have grown significantly. The same is true starting from a much smaller base for the self-employment activities of Grameen's clients.

At Mondragon, financial commitment is a prerequisite for membership. At Grameen, peer group pressure enforces not only repayment but also its prerequisites, careful investment and constant attention to the enterprise. The nationalist sentiment which is so important at Mondragon is lacking at Grameen. Nonetheless, both banks are able to promote the 'right' kind of behavior from their clients.

The lessons for Greece can be divided into two parts. The first consists of those rules or practices which are transferable to Greek conditions. The second consists of those attributes or characteristics which are specific to the country, region or TP and for which analogues will have to be found in Greece.

5.7.5.1. Transferable Rules or Practices

The key transferable rule/practice is the requirement for careful preparation of the new enterprises and proper screening and training of the new entrepreneurs. This is enforced by the special credit institution during the pre-loan period, during investment project implementation, and during start-up and continuing operation while the loan is being repaid. Training is a continuous feature of both Mondragon and Grameen.

At Mondragon, at least 18 months are usually consumed in choosing the investment project and preparing the Feasibility Study by the designated manager and the staff of the Empresarial Division of the Caja Laboral popular. A 'godfather' who is personally responsible for helping the designated manager is appointed from the Empresarial Division. This is a feature that can be replicated in Greece. The new manager is thus fully acquainted with all the issues and options that can arise in the new enterprise. He/she has maintained contact with the other members of the new cooperative so that they are fully informed. Finally the Caja is satisfied,

both with the expected viability of the new enterprise and the knowledge and capability of the new manager. At Gramcen, only seven days are required for training, but the projects are at the simplest level with tasks that the new entrepreneurs have very often been doing for others. The loan capital requirement is about \$50 for the first loan as against \$7,000 of 'own' capital plus bank loans at Mondragon. However, each Gramcen group of five borrowers meets once a week at the Gramcen Center in the village to discuss their enterprises' successes and problems. The Caja monitors each enterprise from its seat on the Board of Directors as holder of 20% of the equity plus an intimate knowledge of the enterprise's financial situation based on loan amortization. ETEPAP can certainly fulfill functions similar to these and can help create self-help groups at the Nomos/locality level (see section 5.11. below).

A similar mode of operation characterizes the regionally oriented Enterprise Boards in England. Like the Caja, the Enterprise Boards take an equity interest in local small/medium businesses, either for start-ups or expansion. Unlike the Caja or Gramcen, the Enterprise Boards have not been intimately involved in project preparation. This probably reflects

the higher general level of economic and technical development in the U.K. Funds for the Enterprise Boards have come from local government. One of the best known, the West Yorkshire Enterprise Board has lent about one-half of its £20 million capital in 70 investments ranging from £17,000 to £1 million. Profits in the year ending September 1986 were almost £1 million. The Caja, on the other hand, is a regional bank, accepting deposits from the public and making loans within its own region.

For ETEPAP, the extent of project preparation will vary by TP and project size/complexity. Participation by new entrepreneurs in project studies and management and other necessary training will be a rule/practice although this will be arranged differently than at Grameen or Mondragon. ETEPAP will not have its own staff to develop studies like the Caja nor can it rely on a short seven day program like Grameen. ETEPAP will have to develop a set of interlocking support mechanisms ranging from candidate screening to participation in study preparation to local support groups and continuous monitoring by ETEPAP itself. ETEPAP will have to be in a position to act decisively at any time in order to protect its equity investment or out-of-pocket costs. This will be much more difficult than at Mondragon where, for example, a manager who is replaced merely becomes another worker at the same company.

5.7.5.2. Specific Characteristics

Neither the peer group pressure of Grameen nor the regional nationalism of Mondragon will be readily replicable in Greece. At the same time, the general level of economic and technical capability shown in the project proposals made to the English Enterprise Boards will, with the exception of the younger engineers TP, not be present in the proposals from the other TPs. This appears to place the greatest reliance for goal adequate behavior on the new entrepreneurs desire for success, which has many dimensions, and a significant contribution of 'own' capital. This can be reinforced by ETEPAP's representative on the Board of Directors adhering to accepted private business criteria in evaluating the financial results of the new enterprise and the adequacy of its management. A welfare approach will not be helpful in allowing the new entrepreneurs to grow as businesspersons. A specific suggestion for rewarding success is made in section 5.7.6. below.

The second specific characteristic, 'own' capital will need to be developed in a suitable manner for each of the TPs. There is an expectation that the projects for youth and women will be the smallest in size and least complex, the projects for returning emigrants will be similar or somewhat larger, while those

for younger engineers may be considerable larger and have a higher degree of complexity. It will accordingly be easier for youth, women and returning emigrants to self-finance a larger proportion of the capital cost of their projects than for younger engineers to do so.

5.7.6. General Principles of ETEPAP Financing

ETEPAP's mechanism for obtaining the 'right' behavior from new entrepreneurs originates in the way that Investment Incentive Law 1262/1982 functions, and in the relation of Government 'grant' capital to 'own' capital. It is proposed that as successful new entrepreneurs buy out ETEPAP's 'own' capital contribution to the new enterprise, the new entrepreneurs receive free ETEPAP's portion of the Government grant capital. This involves no out-of-pocket cost for ETEPAP but it does mean that income is foregone. The assumption made here is that ETEPAP's purpose is to help create viable new businesses and not to make a profit itself. This clearly distinguishes it from the English Enterprise Boards and from some aspects of the Caja Laboral Popular operations. ETEPAP is more like Grameen, accepting losses when its 'clients' are unable to repay, but not expecting to profit from the new entrepreneurs' success. This places the burden on the Government to replenish ETEPAP's capital when necessary. It also obligates ETEPAP to act as a true shareholder rather than another way to subsidize employment.

5.7.6.1. An Example of ETEPAP's Financing Principle

Minimum 'own' capital requirements as a % of total capital requirements under Investment Incentive Law 1262/1982 can range from 10% for special investments in high priority regions to 35% for standard investments in low priority regions. The minimum Government 'grant' level is 10% and the maximum is 50%. The basic example used is a hypothetical but common distribution. The proportion of capital and its relation to equity for 20% 'own' capital, a 40% Government grant and 40% loan capital is:

<u>Capital Sources</u>	<u>Per Cent</u>	
	<u>Capital</u>	<u>Equity</u>
'Own' Capital (incl. ETEPAP)	20	100
Government Grant	40	0
Loans	40	0
Total	100	100

A simple illustration of ETEPAP's principle of financial incentives is the following. Assume that new entrepreneur 'own' capital is 5% of total capital required and that ETEPAP contributes 15% to meet the 20% required by the incentive law. Then, the new entrepreneur would get one-quarter or 10% of the Government grant as 5% is one-quarter of the 20% 'own' capital. ETEPAP would initially receive the remaining three-quarters of the grant equal to 30% of the total capital. If the business is successful, the entrepreneur will buy out ETEPAP's 15% portion of the 'own' capital. As this is purchased, ETEPAP would transfer its corresponding portion of



the Government grant to the entrepreneur. This would leave ETEPAP whole, and some fee could be charged for ETEPAP's out-of-pocket costs (see section 5.6.1. above).

The entrepreneur would buy, at cost plus a fee, 15% of the business and receive 30% as a grant from ETEPAP who, in turn received it from the Government. Loans would be repaid as usual. The exact buyout terms could be generous, with ETEPAP still voting the stock while the new entrepreneur used the profits to buy it. The general operation of the scheme could show the following proportions at three different points in time with loans remaining unchanged.

At the time of investment.

<u>Capital Sources</u>	<u>Per Cent</u>	
	<u>Capital</u>	<u>Equity</u>
'Own' Capital (Entrepreneur)	5	25
'Own' Capital (ETEPAP)	15	75
Grant (Entrepreneur)	10	0
Grant (ETEPAP)	30	0
Loans	40	0
Total	100	100

When 5% of ETEPAP's 'own' capital has been purchased, 10% from ETEPAP's grant portion is also transferred to the entrepreneur.

<u>Capital Sources</u>	<u>Per Cent</u>	
	<u>Capital</u>	<u>Equity</u>
'Own' Capital (Entrepreneur)	10	50
'Own' Capital (ETEPAP)	10	50
Grant (Entrepreneur)	20	0
Grant (ETEPAP)	20	0
Loans	40	0
Total	100	100

After all of ETEPAP's 'own' capital has been purchased and all of ETEPAP's grant portion has been transferred to the entrepreneur.

<u>Capital Sources</u>	<u>Per Cent</u>	
	<u>Capital</u>	<u>Equity</u>
'Own' Capital (Entrepreneur)	20	100
'Own' Capital (ETEAP)	0	0
Grant (Entrepreneur)	40	0
Grant (ETEAP)	0	0
Loans	40	0
Total	<u>100</u>	<u>100</u>

A crucial aspect of the scheme is that it does not produce the typical case in Greece of a lack of 'own' capital and overreliance on borrowed funds. ETEPAP takes the loss of its investment if the firm goes bankrupt. As long as the total capital required for a new enterprise is low, 5% of say 50 million drachmas is 2.5 million (about \$20,000) which should not be an overly large sum for a new entrepreneur (or several partners).

5.7.6.2. Problems in the Operation of Law 1262/1982

Two important problems have arisen in the operation of Law 1262/1982. The first is that it often takes as long as two years to secure an approval. Although the rate of inflation in Greece has declined, it is still over 10% at this time making the capital cost of a project more than 20% higher after a two year delay. Many approved projects have not been implemented for this reason, especially when the rate of inflation was over 20% per annum.

The second problem is that land has frequently been used as a part of 'own' capital where it has been needed for the new enterprise. The Law 1262 Approvals Committee has often placed a higher valuation on this land than commercial banks who, in the example above, would be asked to provide loans equal to 40% of the total capital. The banks have refused to make the loans.

Both these problems need the attention of those responsible for Law 1262 approvals. ETEPAP will not be able to function effectively unless these issues are resolved.

5.7.6.3. Alternate Sources of Capital

New entrepreneurs should be encouraged to find alternate sources of equity capital. There may be local sources in neighbors, businesspersons, local government, venture capital funds, etc. ETEPAP should try to develop these sources. Unfortunately, the national capital and equity markets function poorly, but the Government can make efforts to improve their operation. Another difficulty at the present time is that commercial banks are offering a risk-free and tax-free rate of interest of about 14% on ordinary accounts. This requires a very high project rate of return to attract others' equity capital.

The Business Expansion Scheme in the U.K. offers tax relief to equity investors in unlisted companies providing they keep their shares for a minimum of 5 years. BES funds have been set up to which companies can apply or a company can issue a prospectus to attract BES investors. Mixed results so far have been the result of this type of Venture Capital Fund. The lack of a properly functioning equity market makes it a problematic scheme for Greece, as a key aspect of the U.K. program is that capital gains are forgiven when the equity is sold.

5.8. ACTIVITY 8: Programs to Implement Investment Projects

The aim here is to assist in the implementation of the approved Feasibility Studies. Such issues as contractors and tenders, specific infrastructure required, final site choice, etc., may require advice and investigation. For some of these problems ETEPAP can help locate experts and subcontract the work to them. At a minimum, lists of ETEPAP approved consultants and contractors might be a way of channeling the best help to the new entrepreneurs. This kind of list, of course, is always open to abuse. However, ETEPAP will be left with the difficult supervision and coordination function consistent with its position as a partner in the new business.

5.8.1. Cost Overruns During Construction

Overinvoicing has been common during the construction and equipping of investment projects in Greece. Using land for the new enterprise as an important part of 'own' capital, the money has been siphoned off from the Government grants and bank loans leaving the company in a weak financial position. Clear and severe budget constraints backed by strict controls will be necessary as the new entrepreneurs are contributing only 5% of the total capital requirements. ETEPAP will have to subcontract part of this auditing to others.

### 5.8.2. New Enterprise Location

Advice/assistance in finding the right location for the new enterprise may be an important part of ETEPAP's activities. ETEPAP can, for example, insist on the development of Business Incubation Centers, see 5.8.2.1. below, in the pilot program Nomoi or undertake special agreements with the Handicrafts Centers of EOMMEX or the Industrial Parks of ETBA. The operations of the Handicrafts Centers and the Industrial Parks are well known.

#### 5.8.2.1. Business Incubation Centers (BICs)

Business Incubation Centers, developed in the United States, are facilities whose purpose is to reduce the risks of new small businesses by lowering their overhead costs and providing management advice and support. BIC characteristics are: (1) a common location for the businesses; (2) shared support services; and (3) on-site management assistance. The building may be designed as a BIC or renovated from an existing structure. The shared services can include common telephone answering, secretarial and other business services, copying machines and conference rooms. Management support depends upon need.

Some of ETEPAP's new enterprises may have a much higher survival rate if they are located in a BIC. Both ETBA and EOMMEX are currently discussing a proposal to study the potential for BICs in several of Greece's larger cities. ETEPAP should make itself

aware of this ongoing effort with a view to using,  
if desirable, BICs developed by others.

5.9. ACTIVITY 9: Programs to Provide Continuing Advice and Assistance During Project Start-Up and Continuing Operations

The necessity to assist new entrepreneurs and new enterprises is well known. ETEPAP needs to take an active part in developing a roster of experts, but should generally leave the work to the subcontractors. This is therefore both a core and non-core activity.

ETEPAP must avoid an overly paternal approach by allowing new entrepreneurs to express themselves and grow through problem-solving. An analysis of Irish Development Authority policy in providing consulting (National Economic and Social Council of Ireland, A Review Of Industrial Policy, No. 64, February 1982) criticized the IDA for making small businesspersons more and dependent on its consultants instead of allowing them to solve their own problems. The approach discouraged the kind of risk-taking that makes companies grow without, at the same time, making failure much less likely.

However, ETEPAP is a stockholder and needs to properly fulfill its responsibilities. In general, ETEPAP should try to avoid being involved in enterprise operations and confine its role to setting policy, approving plans and programs and evaluating operating results in its role as a member of the Board of Directors. ETEPAP may wish to recruit well known businesspeople to sit on the boards of its companies, avoiding the problem of lack of its own objectivity in reviewing results.



5.9.1. Subsidized Consulting

By subsidizing consulting (or using EOMMEX services), ETEPAP would let the new entrepreneurs determine whether or not they needed counseling and how much is required. As an example, the Small firms Service of the Department of Trade and Industry in the U.K. offers the counseling services of self-employed management consultants who have undergone special training in the problems of small business. The first three days are free with a subsidized fee charged thereafter.

5.10. ACTIVITY 10: Development of Regional Data and Databases to Assist in the Promotion of ETEPAP's Programs

ETEAP will introduce its programs at the Nomos level. In order to choose which Nomoi should be included in the pilot program, and the order of introduction thereafter, it is necessary to develop criteria by which Nomoi can be compared and the data and databases to make the comparisons. In the first instance, Nomoi should be chosen for pilot programs according to their ability to successfully absorb ETEAP's activities and meet the objectives and strategy defined in sections 1. and 2. below. A separate report will develop the pilot program. Dr. Z. Georganta of the Center for Planning and Economic Research has developed the databases and regional data.

5.11. ACTIVITY 11: Development of Local Support Groups in the Nomoi

This is both a core and non-core activity. In order to provide local assistance to new entrepreneurs, both as moral support and for the provision of knowledgeable advice, ETEPAP should attempt to develop Nomos-based and national level groups of businesspeople, local authorities and others who want to help with the promotion of new entrepreneurs and new enterprises. These groups are important for the status they afford their members as leading citizens trying to increase the level of economic activity in their Nomos, and for the status they would confer on the new entrepreneurs as those who will be responsible (in part) for the future growth of the area. Local backing for new ventures not only provides experienced advisors to new entrepreneurs, but also helps to create the kind of general climate in which new businesses can flourish. All Non-Governmental Organizations (NGOs) which can contribute to the success of ETEPAP should be encouraged to do so. Cooperation by Nomoi and local authorities should be mandatory. These groups will reduce the size of the locality staff required for ETEPAP's own operations, and some of their members can be recruited for the various project and Feasibility Study Appraisal Groups. Once they are in operation, ETEPAP will only need to coordinate their activities. However, there may be some particular difficulties in setting up these groups in Greece.

### 5.11.1. Existing Business Organizations

There are a number of existing business organizations that could serve as support groups or could help in setting up support groups by making this need known among their own members. Examples of these organizations are: the Union of Greek Industrialists (SEV); the Industrial and Commercial Chamber, the Technical (engineers and scientists) Chamber; the Manufacturers Federation; Nomos Union of Agricultural Cooperatives, Union of Hotel Owners and other specialized organizations.

Whether these organizations or some of their members will be willing to serve in local support groups depends upon how they and their individual members view the new entrepreneurs. If they are viewed as potential competitors rather than as contributors to economic development, the existing organizations will be hostile. This is possible as most companies in Greece are small. In the manufacturing sector, over 93% of the establishments employ less than 10 persons. About 0.5% employ over 100 persons. In smaller cities and rural areas, enterprises tend to be very small.

#### 5.11.1.1. Enterprise Agencies in the U.K.

The English experience is that large firms are the ones most likely to contribute to the formation of new small enterprises. An Enterprise Agency system has been set up whereby firms -- and almost exclusively large and successful ones -- contribute money

or second experienced staff to over 250 locally developed Enterprise Agencies who usually work with local authorities and the Government to provide one-stop advice and counseling for small businesses. The Enterprise Agencies do not create jobs themselves. In France the National Agency for Enterprise Creation (ANCE) has developed a wide range of contacts with Non-Governmental Organizations at the national and regional levels.

5.11.1.2. Potential in Greece

It would seem logical for ETEPAP to approach the national offices of the various NGOs to sound them out before trying to develop linkages at the local level. The national offices may have a broader point-of-view and their approval may help in obtaining a fair hearing in the Nomoi. One of these organizations, the Institute of Economic and Industrial Research (IOBE), which is associated with SEV, has been developing a program with the European Center for the Development of Professional Training (CEDEFOP in Berlin) to provide courses in entrepreneurship for returning emigrants. IOBE has proposed that the Institute for Industrial and Professional Specialization (IBIE) offer the program. The Union of Greek Industrialists (SEV) which includes the largest firms in Greece plans to participate.

If a large firm approach is taken, the data on firm size and location are in the ICAP manuals.

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There are less than 1000 manufacturing firms with more than 100 employees in Greece, they tend to be located in and around the largest cities, and there is an acknowledged lack of qualified managers. One possibility is to make special requests to the Transnationals operating in Greece. They tend to be larger, better staffed with Greek managers and far less likely to be threatened by new enterprises. They may even feel that contributing to the realization of new enterprises is good for their public image.

#### 5.11.2. The Banking System

The banking system is essentially state-owned, dominated by a few very large multi-branch banks whose focus is national rather than regional/local and relatively backward in its credit policies. The banks, it is said, are indifferent, if not hostile to the needs of small business. Despite this, it is absolutely necessary to involve some of the large banks in ETEPAP's support groups or in their own support group. There are several reasons for this need: first, bankers are often very knowledgeable about their area; second, the banking system is involved in supplying credit to the new enterprises under Law 1262/1982 and it would be desirable to know their policies and have some of their input prior to making a loan application; third, the involvement of local bankers would be a signal of seriousness to the

business organizations at the national and local levels; and fourth, it would also provide a very positive signal to potential entrepreneurs. Since the banking system is dominated by a few banks, an approach will have to be made to the central office before seeking cooperation from a branch.

5.11.3. Local and Regional Governments

ETEPAP will have to develop cooperation with the various levels of sub-national government. This will be easiest at the Nomos and Periferia (group of Nomoi) levels since the Nomarchs and Periferia heads are nominated by the central government. Mayors are elected, but there should be little difficulty in obtaining cooperation for the kind of enterprise programs that ETEPAP will promote. Governmental cooperation is important because of the direct help to be obtained in staff, facilities and access to decision-making bodies. There is some local control over historic sites, ports, potential marina locations, etc., and infrastructure planning.

5.11.4. Type of Local Support Groups

An umbrella group which would include all the sub-groups would make ETEPAP's coordinating job easier and indicate a high level of community support for its programs. This is part of the pilot program which needs to be completed at a very early stage.

5.12. ACTIVITY 12: Development of the Pilot Program for ETEPAP

This is the main initial core activity for ETEPAP as it combines all the other operating activities and tests the strategy. A separate report will be made on this subject.

5.13. ACTIVITY 13: Evaluation of ETEPAP's Activities

An evaluation program, for each of the relevant activities and each of the TPs will have to be developed. A discussion of this core activity is beyond the scope of this report.



TO : Mr. George Papandreou, Deputy Minister of Culture  
FROM : Richard Lissak  
SUBJECT : Substantive and Administrative Issues Regarding  
the Pre-start and Start-up Phases of The Company  
for the Support of Productive Initiatives of Younger  
People (ETEPAP)  
DATE : 17 December 1986

This memorandum is intended to assist in the definition of ETEPAP as an organization and to prepare for both its pre-start and start-up phases.

F. SUBSTANTIVE ISSUES

1. Objectives of ETEPAP

- a. To break existing financial and institutional constraints hampering the movement from productive investment project ideas to viable new enterprises.
- b. To widen and deepen Active Democratic Planning by increasing the range of opportunities available to (potentially) entrepreneurially active youth, women, returning migrants, and younger engineers, scientists, technical and experienced business oriented persons to develop and operate their own productive enterprises.
- c. To stimulate employment opportunities via small and medium-sized enterprise creation.
- d. To help to establish new enterprises that will not require an operating subsidy in the shortest possible time.

- e. To aid in the restructuring of national industry from both a regional and sectoral point-of-view.
- f. To create a more hospitable climate for new investment from any source.

2. Main ETEPAP Activities: Other institutions may participate

- a. Entrepreneurship development through identification and training of entrepreneurially oriented individuals and groups from target populations.
- b. Creation of an institutional environment ensuring participation of potential entrepreneurs from target populations in the generation of investment project studies.
- c. Evaluation of investment project studies.
- d. Financing, co-financing, promotion, etc., of those investment projects deemed viable.
- e. Advising investment project generation, implementation, start-up, continuing operations, etc.

3. What are the priorities among the target populations?

- a. Youth
- b. Women
- c. Migrants: 1987 is the 'Year of the Emigrant'
- d. Younger engineers, scientists, technical and experienced business oriented persons.

4. Are there regional priorities?

5. Are there intra-regional priorities (e.g., urban-rural, etc.)?

## II. ADMINISTRATIVE ISSUES

1. What is the Current Status of ETEPAP? (See attached memorandum "Suggested Composition of the ETEPAP Governing Council")
  - a. Charter and Incorporation
  - b. Board of Directors
  - c. President
  - d. Managing Director
  - e. Recommended Staff at Start-up
    1. Directors (4) and Deputy Directors (4)
      - a. Youth
      - b. Women
      - c. Migrants
      - d. Younger engineers, etc.
    2. Other
      - a. Accountant (1)
      - b. Assistants (4)
      - c. Secretaries (3)
  - f. Budget
2. Ministry of Culture Personnel Required During Pre-start Phase of ETEPAP
  - a. Counterpart to UNIDO expert
  - b. Target Population Experts (2). Two for each population.
  - c. Assistant to UNIDO expert
  - d. Bilingual secretary
  - e. Informatics assistance

3. Other Assistance Required

a. KFPF personnel assigned to the Migrant Project

h. already computerized some survey results.

I would like to use their ability to computerize and analyze other data on migrants.

4. Who is the senior person at the Ministry responsible for the day-to-day operations of this project?

TO : ETEPAP Project Participants  
FROM : Richard Lissak  
SUBJECT : A Program for the Development of The Company for  
the Support of Production Initiatives of Younger  
People (ETEPAP)  
DATE : January 1987

The purpose of this memorandum is to acquaint Project Participants with the objectives and priorities of ETEPAP, its expected range of activities and the initial tasks to be fulfilled during the current pre-start phase of ETEPAP. The Minister has approved the objectives and priorities which are discussed in sections 1 and 2, below.

Background to ETEPAP

One of the main elements of the Government's development strategy is the promotion of increased participation by all groups in the economic and social life of the country. The strategic goal of ETEPAP is the creation of new viable business enterprises by members of groups (target populations) under-represented in the economic life of the country. The target populations are youth, women, returning emigrants, and younger engineers, scientists, technicians and experienced business oriented persons.

The Five-Year Plan, 1983-1987, was created through the mechanism of Active Democratic planning, a method of developing plan possibilities from-the-bottom-up and then agreeing the plan through an iterative process between Nomos Planning Councils on the one hand, and the periferial and central authorities on the other. A major problem of the 1983-1987 Plan was the lack of

productive investment projects.

The Government is now faced with a severe and urgent problem as the level of private investment has fallen steadily since its previous cyclical peak in 1979. A stabilization program was launched in 1985 to correct a chronic deficit in the current account of the Balance of Payments, and unemployment, particularly among youth and younger professionals, is rising. The Labor Force Participation Rate for women is very low compared with Western Europe and North America depriving the country of their energy and imagination in productive activity. Changes in the economic structure of several Western European countries have resulted in a 'surplus' of Greek guest workers and, at the same time, the Government would like to take advantage of the skills acquired by Greeks who have worked abroad. This can only be effected through a program that facilitates the return and reintegration of emigrants. It is the aim of the Government to at least partially resolve these problems by broadening the opportunities available to the targeted groups within the process of Active Democratic Planning, by the creation of ETEPAP.

The role of ETEPAP is to act first as an outreach organization, informing the target populations of the new opportunities available, second, to facilitate the development of those productive investment project ideas deemed potentially viable, and finally to either finance with its own funds certain projects and/or help find financing from other public or private institutions. That is, ETEPAP is designed to have an impact in the stages of project development prior to those affected by the usual incentive

programs. Post-investment follow-up services will also be provided.

The work program in this memorandum covers a portion of the pre-start phase of ETEPAP. Outreach and screening aspects of ETEPAP will be tested in a pilot program in several locations before the national program is implemented. A part of this pre-start phase will be the choice of these locations. ETEPAP is expected to begin program testing in May 1987.

ETEPAP, which will be a private company, has been formed by the General Secretariats of Youth, the Greek Diaspora and Popular Education of the Ministry of Culture, the Hellenic Industrial Development Bank of the Ministry of Industry, Energy and Technology, and the Ministry of National Economy. The Ministry of Culture has taken the lead in ETEPAP's formation. ETEPAP's charter has been completed and its staff is being recruited. During this formative period, the Ministry of Culture will provide support in terms of staff, space and other necessary items.

1. Objectives of ETEPAP

The objectives are listed in hierarchical order, with the controlling objective first, etc.

- 1.1. To break existing financial and institutional constraints hampering the movement from productive investment project ideas to viable new enterprises. An enterprise is viable if it meets market criteria for profitability. New enterprises may be in the primary, secondary or tertiary sectors.
- 1.2. To widen and deepen Active Democratic planning by increasing the range of opportunities available to (potentially) entrepreneurially active youth, women, returning emigrants, and younger engineers, scientists, technical, and experienced business oriented persons to develop and operate their own productive enterprises.
- 1.3. To stimulate employment opportunities via small and medium-sized enterprise creation.
- 1.4. To help to establish new enterprises that will not require an operating subsidy in the shortest possible time.
- 1.5. To aid in the restructuring of national industry from both a regional and sectoral point-of-view.
- 1.6. To create a more hospitable climate for new investment from any source.



## 2. Priorities Within ETEPAP

The priorities, within categories, are listed in hierarchical order, with the most important first, etc.

### 2.1. Target Population Priorities

These priorities relate more to the timing of the programs rather than indicating a clear preference for one group over another. Since ETEPAP will test its programs in several locations, it may be desirable to introduce programs jointly rather than separately in order to reduce the time and cost of testing.

The target populations are not mutually exclusive. Although they obviously overlap in membership, each population has been defined with certain characteristics so that individuals and groups with project ideas will self-select their program entry point. It is expected that investment project types and sizes will vary among the target populations in a way related to their defining characteristics.

#### 2.1.1. Youth

Youth are broadly defined as those individuals from 18 to 45 years of age. Although both females and males may be included in this group, care has to be taken to ensure that females have access to the full range of ETEPAP's services. For this and other reasons related to discriminatory practices and attitudes, young women may elect not to enter the women's program. Two key characteristics of youth are inexperience and the inability to prepare their own project feasibility studies.

2.1.2. Women

There is no specific age limitation for women. This group is likely to have the least acquaintance with business ideas and experience with business practices. They are likely to have more difficulty developing project ideas that are potentially viable than other target populations. The ETEPAP program for women will have to overcome these initial barriers. If young women select themselves into this program it may be due either an expectation of discriminatory practices in the youth program and/or the feeling that it is likely to be more difficult to compete in a program with large numbers of men.

2.1.3. Returning emigrants

There is no specific age limitation for this group. Returning emigrants are likely to have considerable work experience, both from domestic and foreign employment, to be self-supporting, acquainted with business practices, and often have their own project ideas. Whether male or female, the ETEPAP program will have to take account of the many adjustment problems facing individuals and families returning to their home country after years abroad. There is a wealth of descriptive and analytic material available from the Government's migration study.

2.1.4. Younger engineers, scientists, technical and experienced business oriented persons

There is no specific age limitation for this group although it is expected that most entrants will be from 25 to 50 years of age. The defining characteristic of this group is the ability to prepare a full project feasibility study without significant outside help. That is, the educational attainment and work experience of this group is considerably greater than any of the other target populations. Males and females will participate, and it is hoped that Greeks abroad will also enter. There is a draft program (R. Lissak: Proposal For a 'New Enterprise Promotion Program' for the Manufacturing Sector, 26-11-84) which needs amendment and further elaboration.

2.2. Regional priorities

ETEPAP is to focus on the second and third rank regions rather than the most populous. Several locations have to be chosen for pilot testing of the ETEPAP programs. There is also a need to prepare the background material for the full national program.

2.2.1. The capacity of a region to successfully absorb ETEPAP activities is the overriding criterion for choice among the second and third rank regions. The dimensions of absorptive capacity need to be developed.

2.2.2. After full consideration has been given to absorptive capacity, attention can also be given to depopulated regions, border regions and islands.

### 2.3. Intra-Regional Priorities

Intra-regional priorities include the possibilities for inter-area linkages, with emphasis on rural areas.

Areas are as defined in the Census of Population.

2.3.1. Rural areas

2.3.2. Semi-urban areas

2.3.3. Urban areas

### 3. Proposed Main ETEPAP Activities

ETEAP will undertake some of the activities itself, it may develop activities jointly with other institutions or it may subcontract these activities to others.

- 3.1. Creation of an institutional environment and outreach program to ensure the participation of potential entrepreneurs from target populations in the generation of investment project studies.
- 3.2. Entrepreneurship development through identification and training of entrepreneurially oriented individuals and groups from target populations
- 3.3. Appraisal of investment project ideas from external or internal sources
- 3.4. Generation of feasibility (or lower level) investment project studies from accepted project ideas
- 3.5. Appraisal of feasibility studies
- 3.6. Financing, co-financing, promotion, etc., of those investment project deemed viable
- 3.7. Advising on investment project implementation, start-up, continuing operations, etc.
- 3.8. Evaluation of all dimensions of ETEPAP programs.

4. Tasks for the Pre-Start Phase of ETEPAP

ETEAP is to be pilot tested starting in May 1987. The time period for the following pre-start tasks is six weeks. The tasks in section 4.4., below, will clearly continue through the testing period as information on how well ETEPAP actually works will undoubtedly lead to program revisions.

- 4.1. Collect all previous reports, studies, etc. developed for ETEPAP. Retain any usable material.
- 4.2. Collect the relevant (Greek, EC, etc.) studies, reports, surveys, policies, programs, laws and data regarding the target populations of section 2.1.
  - 4.2.1. Provide a systematic analysis of materials collected. Develop a target population database consistent with the location data of section 4.3.1., below.
- 4.3. Collect the relevant studies, reports, surveys, policies, programs, laws and data regarding the areal units of sections 2.2. and 2.3., above.
  - 4.3.1. Provide a systematic analysis of materials collected. Develop the analysis on the basis of a Nomos and its political subdivisions, such as Eparchias and Demi. Develop a location database consistent with the target population database of section 4.2.1., above.
- 4.4. On the basis of the objectives and priorities of sections 1. and 2., and the completed tasks of sections 4.1.-4.3., develop an analytical base for the commencement of ETEPAP operations.

4.5. Define ETEPAP programs and their success criteria.

4.5.1. Analyze the positive, neutral and negative effects of existing policies, programs and laws on the operations of ETEPAP. Define the preferred configuration of policies, programs and laws.

4.5.2. Develop specific analyses of desirable pilot program locations and their target populations. Desirable locations and their target populations will, in the first instance, be chosen on the basis of their capacity to successfully absorb ETEPAP activities. Visiting potentially desirable locations and initiating contacts with knowledgeable individuals and institutions will contribute significantly to making the best choices for testing ETEPAP's programs.

TO : ETEPAP Working Group  
FROM : R. Lissak  
SUBJECT : Suggested Composition of the ETEPAP Governing  
Council

The ETEPAP Governing Council should be composed of individuals whose backgrounds are particularly well suited to the purpose of ETEPAP -- that is, the promotion of new productive investment projects. ETEPAP will act as a publicly funded Venture Capital Fund as one part of its activities as well as an incubator of investment projects to be financed by other institutions. This paper proposes some criteria for selecting the Council members from both the public and private sectors.

Since ETEPAP will be in the business of promoting investment projects from idea through implementation, experience in new business start-ups is the most important criterion for both the President of the Council and the Managing Director. This suggests that both posts go to experienced businesspeople. The difference between the President and Managing Director should be that the former will have the main responsibility for setting policy and promoting the program while the latter will naturally concentrate on planning and implementing it. For these reasons, the President should ideally be a well-known retired businessperson who speaks with authority in business matters and has the desire and ability to contribute to the development of Greece by promoting

the program both nationally and internationally. The Managing Director should be an experienced businessperson with demonstrated executive ability. It is likely that the President will have to be available almost full-time for the first year. If the President is a successful retired businessperson, salary is unlikely to be the main consideration in accepting the post. The Managing Director, on the other hand, will most likely consider an appropriate private sector salary as an indication that the Government is serious about ETEPAP.

Other non-governmental Council members should come from banking, business and technical areas. A representative from the Technical Chamber might be useful in helping to promote the program within that organization. Since ETEPAP will seek the participation of women as individuals and in groups, it is desirable to have a representative from a leading woman's organization. This should not be an excuse for limiting the Council's female members to one. Academics should be avoided unless they have clearly demonstrated practical expertise required for the Council's effective operation.

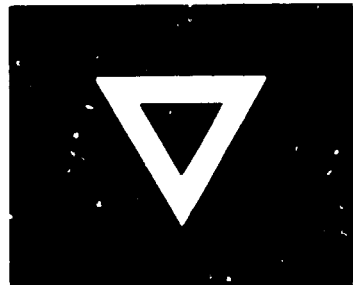
The Government Council members should include a representative from Local Government -- most likely a mayor as a number of projects are expected to be sponsored by Local Government. Other Government Council members should have experience in finance, evaluation of investment projects, etc.



Attached is a copy of an article about a newly founded Venture Capital Fund in China. It has some of the same characteristics as ETEPAP but its focus is much narrower. The business oriented backgrounds of the fund managers are particularly interesting.

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ASSISTANCE TO THE GREEK GOVERNMENT FOR SUPPORT PROGRAMMES FOR  
PRODUCTIVE INVESTMENT PROJECTS FOR YOUNG PEOPLE

DP/GRE/86/009

GREECE

Technical report: ETEPAP Assistance Programmes\*

Prepared for the Government of Greece  
by the United Nations Industrial Development Organization,  
acting as executing agency for the United Nations Development Programme

Based on the work of R. Lissak, UNIDO consultant

Backstopping officers: C. Antonio and V. Gregor  
Institutional Infrastructure Branch

United Nations Industrial Development Organization  
Vienna

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- I.: Memorandum outlining Substantive and Administrative Issues Regarding the Pre-start and Start-up Phases of The Company for the Support of Productive Initiatives of Younger People (ETEPAP)
- II.: Memorandum acquainting project participants with the objectives and priorities of ETEPAP.
- III.: Suggested Composition of the ETEPAP Governing Council
- IV.: Table showing Indicators of Development by Rank of Nomos in Category of Development
- V.: Table showing Location Coefficients by Nomos for Selected Sectors
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## 1. MAIN FOCI OF ETEPAP

The acronym ETEPAP stands for The Company For The Support of Production Initiatives Of Younger People.

### 1.1. The Definition of ETEPAP

ETEPAP is a special credit institution whose purpose is to promote the organization of new small- and medium-sized enterprises (i.e., productive investment projects) undertaken by groups underrepresented in decision-making roles within the economy. ETEPAP is oriented by the principles of Active Democratic Planning and Implementation.

### 1.2. The Objectives of ETEPAP

#### 1.2.1. Primary Objective

The primary objective of ETEPAP is the start-up and successful operation of viable new small- and medium-sized enterprises by entrepreneurially oriented members of the Target Populations (TPs). The TPs are:

- (1) youth;
- (2) women;
- (3) returning emigrants; and
- (4) younger engineers, scientists, technical and experienced business persons. This group is abbreviated as 'younger engineers' in the text.

## 1.2.2. Secondary Objectives

### 1.2.2.1. Regional Objectives

A secondary objective -- and one related to the choice of several of the target populations (i.e., youth, women, and possibly returning emigrants) is the promotion of entrepreneurship and new enterprises in the second and third rank cities of the nation and their rural hinterlands. ETEPAP, however, is not a growth pole approach to development.

### 1.2.2.2. Employment

A secondary objective is the stimulation of employment opportunities, particularly away from the major urban centers.

## 1.2.3. Lower Order Objectives

### 1.2.3.1. Restructuring

ETEAP should aid in the restructuring of national industry from both a regional and sectoral point-of-view.

### 1.2.3.2. Investment Climate

ETEAP should help to create a more hospitable climate for investment from any source.

## 2. A SUGGESTED STRATEGY FOR ETEPAP

There are four elements to ETEPAP's strategy for new entrepreneurs and new enterprises.

### 2.1. Breaking Financial and Institutional Barriers to the Creation of New Enterprises

ETEPAP, as a special credit institution -- a form of investment bank, will have the powers and the capacity to break the existing financial and institutional constraints hampering the movement from productive investment project ideas to viable new small- and medium-sized enterprises. ETEPAP will take equity positions in the new enterprises providing sufficient capital to ensure their qualification for investment incentives under Law 1262/1982 as amended. Subsequently, ETEPAP will sell its equity and transfer its portion of the investment incentives to the new entrepreneurs, replenishing its own funds. ETEPAP's capital is targeted at 500 million drachmas for its initial operating period.

### 2.2. Developing New Entrepreneurs

ETEPAP will develop procedures (Target Population Program Modules: TPPMs) to identify, train and support entrepreneurially oriented members of the Target Populations. Since the TPs vary significantly in terms of sex, age, work experience, own resources, knowledge of business opportunities, educational background, ability to relocate and other significant factors, ETEPAP will have to design some TPPMs for the specific needs of each TP.

### 2.3. Concentration on Smaller Cities and Their Rural Hinterlands

Focusing on the second and third rank cities and their rural hinterlands requires a knowledge of regional potentials.



This analysis requires a statistical database, a method of comparing the level and trajectory of development of the regions, and on-the-spot investigation of the current situation. The level of analysis will be the Nomos (Prefecture) and the Demos (Municipality). Some material will be aggregated at the level of the Periferia (a group of Nomoi). There are 51 Nomoi and 13 Periferia..

2.4. Pilot Testing of ETEPAP's Programs

The requirement to coordinate financial, institutional, entrepreneurial and regional analysis in support of the efforts of the TPs suggests the necessity of testing ETEPAP in several Nomoi before launching a national campaign. ETEPAP should choose those Nomoi that have the highest probability of usefully absorbing its programs consistent with its stated objectives.

### 3. TARGET POPULATION DEFICIENCIES

The Target Populations have very disparate characteristics, but some deficiencies in common. Many of the activities of ETEPAP, discussed in detail in section 5 below, are designed to reduce the effect of these common deficiencies. However, each ETEPAP TP program will have to define the relevant characteristics of its TP in order to develop that TP's strengths and ameliorate its weaknesses. Individual variation within a TP will also require attention.

#### 3.1. Negative Characteristics of Target Populations

From the point-of-view of negative characteristics, both youth and women are likely to have significantly greater initial disadvantages than some returning emigrants or younger engineers. A recent analysis emphasizing the need for support structures for those seeking to start new small-scale local enterprises in France listed the following deficiencies that need to be overcome: (P. Kuentsler, International Labor Review, March-April 1984)

- (1) the cultural gap between them (the TPs) and decision-makers in institutions such as public offices and banks;
- (2) their lack of self-confidence and of credibility among the officials with whom they have to deal;
- (3) their psychological and social isolation, especially if they have been unemployed for some time (or have never been employed);
- (4) the difficulty of finding and putting together the information they need, especially since it is often widely dispersed;

- (5) their lack of resources, especially financial resources in the early stages of their own efforts;
- (6) ignorance or a false view of the market and/or their own capabilities;
- (7) insufficient awareness of the need for suitable management techniques;
- (8) ignorance of commercial procedures.

### 3.2. Preliminary Listing of Individual Target Population

#### Characteristics

Using the characteristics of section 3.1. above and others associated with potential enterprise success, Table 1 provides a preliminary assignment by Target Population. Particular entrepreneurial characteristics such as risk-taking, leadership, and the Schumpeterian desire to combine resources in new and progressive ways are not discussed in this report due to lack of data. It is assumed that all TPs have members with an entrepreneurial bent, and that they exist in sufficient numbers so that ETEPAP will not lack potential new entrepreneurs. UNIDO's European Regional Program in Entrepreneurship Development will utilize cross-cultural psychological testing for possession of characteristics associated with entrepreneurial activity. This has been included as one of the activities proposed for ETEPAP.

**TABLE 1: Enterprise Creation -- Selected Characteristics of Target Populations**

- + Possesses Desired Characteristic
- Lacks Desired Characteristic
- ? May or May Not Possess Desired Characteristic

	<u>Target Populations</u>			
	<u>Youth</u>	<u>Women</u>	<u>Returning Emigrants</u>	<u>Younger Engineers</u>
<b>I. <u>General Characteristics</u></b>				
1. Are part of or are easily assimilable into the dominant cultural group	-	-	-	+
2. Are self-confident	-	-	?	+
3. Have an accurate picture of their own capabilities	-	-	?	?
<b>II. <u>Enterprise Associated Characteristics</u></b>				
1. Have <sup>sufficient</sup> assets, financial and/or real to use as 'own' capital or collateral	-	-	? +	-
2. Have credibility as potential borrowers of finance capital	-	-	?	+
3. Have (potentially) viable investment project ideas	?	?	? +	+
4. Have knowledge of business and technical information sources and their location	-	-	-	+
5. Have a clear understanding of markets	-	-	-	?
6. Have knowledge of commercial procedures	-	-	-	?

TABLE 1: Continued

	<u>Target Populations</u>			
	<u>Youth</u>	<u>Women</u>	<u>Returning Emigrants</u>	<u>Younger Engineers</u>
7. Are aware of the necessity for suitable management technique	-	-	?	?
8. Have some (potentially) usable workplace skills	-	-	+	+
9. Have some managerial experience	-	-	?	?
10. Have the ability to undertake a Feasibility Study for an investment project	-	-	-	+
11. Have locational mobility*	-	-	? +	+

\* Youth and women are assumed to develop projects in their own areas. Returning emigrants clearly have mobility. Those who have already returned may not.

3.3. Target Population Program Modules (TPPMs)

The program for each Target Population is composed of modules which are discussed as the substantive (non-administrative) activities of ETEPAP in sections 4. and 5. below. Each activity for a specific TP constitutes a module and the entire range of activities (or modules) constitutes a TP program. The modules may be identical across two or more TPs or they may differ for every TP. Theoretically, for each activity there could be a maximum of four modules, one for each TP, and a minimum of one module serving all the TPs. The aim here is to reduce ETEPAP's costs and increase its effectiveness by carefully singling out those TPs requiring their own module for a specific activity in order to overcome a deficiency or develop a strength. The other modules can then be utilized for several or all the TPs without differentiation. A separate report will deal with the pilot program for ETEPAP.

4. ACTIVITIES OF ETEPAP: RESPONSIBILITIES FOR DEVELOPMENT AND IMPLEMENTATION

Most of the activities of ETEPAP are associated with the programs for each of the Target populations (see section 3 above). To achieve economies in costs and increase effectiveness each activity, other than administrative ones, is considered as a Target Population Program Module. An activity needs to be analyzed in two dimensions. The first is whether or not ETEPAP should undertake the activity itself or share responsibility with others. The second is the degree to which TPPMs can be shared across Target Populations. Both dimensions are aimed at concentrating ETEPAP's efforts on those activities which are crucial to the overall success of the program and limiting its own staff size while utilizing (free or on a paid basis) the services and support of other public and private institutions, organizations, companies and individuals at national, regional and local levels. This section develops the principles under which ETEPAP should or should not undertake an activity itself. The proposed activity set for ETEPAP consists of the following:

- (1) the creation of an institutional environment conducive to entrepreneurship and new enterprise development;
- (2) outreach programs for target populations;
- (3) entrepreneurship development through identification and training of entrepreneurially oriented individuals and groups from the target populations;
- (4) developing investment project ideas;
- (5) appraisal of investment project ideas;

- (6) preparing feasibility studies suitable for a project implementation decision;
- (7) financial packages for new enterprises and new entrepreneurs;
- (8) programs to implement investment projects;
- (9) programs to provide continuing advice and assistance during project start-up and continuing operations;
- (10) development of regional data and databases to assist in the promotion of ETEPAP's programs;
- (11) development of local support groups in the Nomoi (Prefectures);
- (12) development of the pilot program for ETEPAP; and
- (13) evaluation of ETEPAP's activities.

In terms of precedence in time, activities are first developed and then implemented. Either of these aspects of an activity can be undertaken independently by ETEPAP, given completely to others or developed as a joint exercise. Whether worked out independently or jointly, some activity development and/or implementation is important because it is an expression of ETEPAP's basic responsibilities. These are called 'core' responsibilities.

#### 4.1. Responsibility for ETEPAP Activities

The range of activities for ETEPAP is very broad and it is far from desirable that this new company try to provide them all with its own staff. A possible separation of activities involves a dual classification: activities can be classified



according to who develops them and who implements them. These categories can be further assessed according to whether ETEPAP needs to take the leading role -- a 'core' responsibility, whether ETEPAP has 'supervisory and coordination' functions only, or whether it is to be undertaken by others -- a 'non-core' responsibility. This separation recognizes that there are other organizations which have responsibilities and powers in the same areas as ETEPAP, and that they may provide either free or for a fee certain services to ETEPAP. It also recognizes that for certain 'core' activities ETEPAP may cooperate with others in development and/or implementation.

#### 4.1.1. Development vs Implementation of Activities

In some ways the choice of development vs implementation is part of an effort to introduce the concept of the corporate 'make or buy' decision to the planning of ETEPAP's mode of operation. The other part is the core and non-core distinction. The fundamental idea is to determine whether the company can more cheaply and without any loss in efficiency (in its broader sense) perform the activity itself -- make the product or service -- or obtain it on better and more profitable terms from others. Since this is the kind of decision that will arise often in the analysis of new enterprises to be promoted, ETEPAP itself should be sensitive to this choice.

4.1.1.1. Making Efficient Use of ETEPAP's Funds: The Issue of Staff Size

ETEPAP will be capitalized with 500 million drachmas. This is not an overly large sum considering that ETEPAP will act as a special credit institution in accord with its other activities. This report assumes that ETEPAP should start with a relatively small staff consistent with its 'core' and 'supervisory and coordination' tasks while cooperating with or subcontracting to others. There are five reasons for this assumption.

- (1) A large staff would commit too much of ETEPAP's funds to fixed internal expenditure instead of being able to adjust spending according to the actual needs of the TPs.
- (2) Experienced and capable personnel in ETEPAP's area are in very short supply in Greece. They are difficult to locate, difficult to entice away to a new institution and expensive. It is much easier to subcontract work to them directly or to their companies.
- (3) An attempt to fulfill all of ETEPAP's activities with its own staff will result in a lengthy delay until personnel are hired, organized, supplied with the necessary infrastructure for their jobs and oriented to the fulfillment of their tasks.

- (4) By subcontracting or cooperating with others ETEPAP has the possibility of developing fruitful relationships with other developmental institutions.
- (5) The suggested arrangement will, very importantly, economize on the time spent by ETEPAP's own management in the creation of the institution. More time will be available for substantive issues.

4.1.1.2. Development of Activities

ETEAP needs to develop all of its activities. It is unlikely that this work can be given to others without a significant loss of control over the substantive content of ETEAP's programs. In some instances ETEAP will cooperate with others when there is an overlap of responsibilities or complex arrangements are required. Development involves determining which activities are necessary, thinking through what is required for a particular activity, envisioning its mode of operation and intended results, budgeting, making all the arrangements for the realization of the activity, and making provision for activity evaluation.

4.1.1.3. Implementation of Activities

Once it has done the development work, ETEAP management will be in a position to analyze more carefully its own 'make or buy' decisions. This report proposes that a major effort be made to 'buy' rather than 'make' activities in order to both

conserve funds and provide services more efficiently. This judgement is based on more than the issues of staff size as discussed in section 4.1.1.1. above. It takes a long time to develop the kind of in-house organizational expertise required for the technical, economic and financial analysis of new projects and new entrepreneurs. As a new special credit institution ETEPAP will be under great pressure to produce some results quickly. Unless it develops subcontracting relations, it will be difficult to move forward at a reasonable pace. ETEPAP also needs to recognize that many consultants in Greece are not at a level high enough to meet EC standards. ETEPAP will have to shop carefully for its subcontractors.

4.1.2. Core, Supervisory and Coordination, and Non-Core Responsibilities

Table 2, below, contains the suggested list of ETEPAP's activities, subdivided according to activity development vs implementation on one hand, and according to whether they are core, supervisory and coordination, and non-core on the other.

4.1.2.1. Core Responsibilities

Core responsibilities consist of those that ETEPAP must itself meet in order to be an effective organization. These cannot be fully subcontracted as they are not directly available from others in a usable form. Alternatively, it would take so long to inform others of the requisites for the particular

activity that it would be less time consuming to undertake it in-house. Others, though, may have the same general responsibilities, e.g., project evaluation and financing, small and medium enterprises, etc. which naturally leads to cooperation. ETEPAP must have sufficient staff to meet its core responsibilities.

4.1.2.2. Supervisory and Coordination Responsibilities

Some activities, undertaken by others either separately or cooperatively, will require supervision and/or coordination from ETEPAP. In many instances where there is governmental statutory responsibility for a given activity, e.g. incentive approvals for projects ETEPAP will have to coordinate for its TPs. Where ETEPAP is the subcontracting company or where ETEPAP is trying to develop local support groups, supervision will initially be required.

4.1.2.3. Non-Core Responsibilities

These are shown in order to clarify core and supervision and coordination responsibilities. They may arise either through subcontracting, statutory responsibility, outreach activities or passive cooperation with others.

**TABLE 2: Overview of ETEPAP's Suggested Activities and Responsibilities**

<u>Activities</u>	<u>Responsibilities</u>		
	<u>Core</u>	<u>Supervision and Coordination</u>	<u>Non- Core</u>
x: Responsibility ?: May or may not choose to be responsible			
1. Creation of an institutional environment conducive to entrepreneurship and new enterprise development			
1. Activity Development	x		
2. Activity Implementation	x		
2. Outreach programs for target populations			
1. Activity Development	x		x
2. Activity Implementation	x		x
3. Entrepreneurship development through identification and training of entrepreneurially oriented individuals and groups from the target populations			
1. Activity Development	x		x
2. Activity Implementation	?	x	x
4. Developing investment project ideas			
1. Activity Development	x		x
2. Activity Implementation		x	x
5. Appraisal of investment project ideas			
1. Activity Development	x		x
2. Activity Implementation	?	x	x
6. Preparation of Feasibility Studies suitable for a project implementation decision			
1. Activity Development	x		x
2. Activity Implementation		x	x

TABLE 2: Continued

	<u>Activities</u>	<u>Responsibilities</u>		
		<u>Core</u>	<u>Supervision and Coordination</u>	<u>Non- Core</u>
7.	Financial packages for new enterprises and new entrepreneurs			
	1. Activity Development	x		x
	2. Activity Implementation	x		x
8.	Programs to implement investment projects			
	1. Activity Development	x		x
	2. Activity Implementation		x	x
9.	Programs to provide continuing advice and assistance during project start-up and continuing operations			
	1. Activity Development	x		x
	2. Activity Implementation		x	x
10.	Development of regional data and databases to assist in the promotion of ETEPAP's programs			
	1. Activity Development	x		x
	2. Activity Implementation		x	x
11.	Development of local support groups in the Nomoi			
	1. Activity Development	x		x
	2. Activity Implementation		x	x
12.	Development of the pilot program for ETEPAP			
	1. Activity Development	x		x
	2. Activity Implementation	x		x
13.	Evaluation of ETEPAP's activities			
	1. Activity Development	x		
	2. Activity Implementation	x		x

## 5. ACTIVITIES OF ETEPAP

The activities discussed below follow the classification presented in Table 2. They are necessary to meet the objectives and implement the strategy of sections 1 and 2 above. An analysis of their application to individual TPs will be contained in a separate report. The activities of ETEPAP, some of which form Target Population Program Modules are the following.

### 5.1. ACTIVITY 1: The Creation of an Institutional Environment Conducive to Entrepreneurship and New Enterprise Development

This activity includes the creation of ETEPAP as an independent incorporated entity, the appointment of its Board of Directors by the competent authorities, the appointment of its senior staff by the new board, the appointment of its staff, and the setting of goals and priorities by the board and senior management. Experienced business people should be placed at the senior management level. This will be possible as ETEPAP is to be an independent incorporated entity able to pay salaries high enough to attract people from the private sector. Activity 1 is solely a core activity.

#### 5.1.1. ETEPAP Should Be an Independent Incorporated Entity

In addition to the need to compete with the salaries paid in the private sector in order to attract competent and experienced businesspeople familiar with enterprise start-ups and management problems, ETEPAP needs to avoid the excessive bureaucratization associated with formal status as a government agency. If ETEPAP is subjected



to these forces in its own internal mechanism there will be difficulty in obtaining positive results from programs which are inherently problematic, requiring judgement, flexibility and an understanding of individual differences. The TPs will quickly realize whether or not ETEPAP can make a positive contribution to the realization of their entrepreneurial abilities. Of course those ministries and organizations contributing to ETEPAP's capital need to be represented on the Board of Directors which sets policy. ETEPAP's separateness from the ordinary bureaucracy will not be unsupervised by the competent authorities -- its day-to-day operations will be insulated if it is incorporated as an independent entity.

5.1.2. ETEAP Staff

Since the business of ETEPAP is promoting new enterprises formed by new entrepreneurs, those appointed to the board and senior management should have experience in the private business sector. While part of the board will be appointed by the government, the remainder can include prominent businesspeople. Senior management can be recruited from the private sector at appropriate salaries. ETEPAP's willingness to pay competitive salaries will be an important indicator of its serious intent and the effort expected from the staff.

5.2. ACTIVITY 2: Outreach Programs for Target Populations (TPs)

This is both a core and non-core activity as many other public and private organizations are involved in similar programs. As a special credit institution, ETEPAP will need to interface with other institutions when their TPs coincide. Some of the existing programs are discussed below in this section or under other activities. This Target Population Program module (TPPM) will have to be differentiated for each of the TPs. An important aspect differentiating the TPs is their current location and the expected location of their new enterprises. The emphasis on second and third rank cities makes location a prime characteristic.

5.2.1. Location-Specific Target Populations

The TPs whose location is deemed fixed (at the level of the Nomos or periferia) are youth, women and emigrants who have already returned. These groups are assumed to propose projects for realization within the region in which they live although this is not an absolute requirement for funding. Outreach programs for these TPs will have to be at the level of the Demos (City) and Nomos if they are to have their desired effect. Local support groups (see section 5.11. below) will, hopefully, form an important part of the outreach effort. Advertising in the media appropriate to the area can also be used.

### 5.2.2. Returning Emigrants and Younger Engineers

Returning emigrants will have to be informed in the country where they are located. Large numbers of potential returnees are in West Germany, Sweden, Australia and New Zealand. Some reside in Canada and the United States. In each case the outreach program will have to be developed in cooperation with the Secretariat for Greeks Abroad of the Ministry of Culture. This may also be the case for younger engineers who reside abroad. From a general aspect, the program for younger engineers is national in scope and needs to be approached in this manner from the start. Unlike the other programs, the younger engineers will be located only in Athens during the period when they develop their Feasibility Studies.

### 5.2.3. Sexism and Outreach Programs

Given the prevailing attitudes in Greece toward women and independent work, particularly away from the capital, it is likely that separate outreach programs will have to be developed for youth and women despite their identical location. Experience indicates that women in Greece do not directly compete with men (for the usual reasons) making it necessary to separate this module and training modules (see section 5.3. below). The Secretariat of Equality (for women) of the Ministry to the Presidency has begun to develop seminars for women. The first was a one-day program on economic management; a seminar on agrotourism (or rural tourism) is planned.

ETEPAP should develop contacts with this secretariat. One approach is to participate in these seminars in order to inform the interested women of ETEPAP's activities. Another approach is to prepare material to be distributed at these seminars or mailed to the seminar participants. These are inexpensive ways to reach members of any of the TPs.

5.3. ACTIVITY 3: Entrepreneurship Development Through Identification and Training of Entrepreneurially Oriented Individuals and Groups from the Target Populations

This is a core and non-core activity for both development and implementation

5.3.1. Identification of Potential Entrepreneurs

First, there is an immediate need to develop a screening process to determine which interested members of the TPs possess the characteristics associated with entrepreneurial activity. UNIDO, for example, is currently developing a cross-cultural psychological test to screen applicants for precisely this kind of program. This is a part of UNIDO's European Regional Entrepreneurship Development Program which will inaugurate and test a variety of programs designed to detect, promote and develop entrepreneurial activity among youth, women, returning emigrants and people in rural areas. ETEPAP (or the Ministry on ETEPAP's behalf) should seriously consider participating in this program.

The Hellenic Organization for Small- and Medium-Sized Manufacturing and Handicrafts (ECMMEX) has just started a program for the creation of new businesspeople. The class of 30 persons was screened by interviews which emphasized their knowledge of the industry in which they plan to open a business and other factors contributing to the success of new enterprises. The Hellenic Center for Productivity (ELKEPA) is collaborating with the

European Foundation of Management Development (Brussels) to develop programs to promote entrepreneurial characteristics and competence. ELKEPA has started PAVE, the Program for the Development of Industrial Companies, in cooperation with the Dutch Institute of Management from whom they have obtained the materials and the European Social Fund. Of 15 months duration, the program seeks to upgrade the entrepreneurial characteristics of owners of industrial companies. The screening criterion is an impartial estimate of the possibility that an applicants company can develop rapidly if the owner receives the training. This approach is openly more psychological in orientation than that of EOMMEX. The Organization for the Employment of the Labor Force (OAED) has a small subsidy program for independent professionals whose major characteristic is that they have already opened their business.

### 5.3.2. Training for Potential Entrepreneurs

Second, training, both to heighten entrepreneurial traits and to develop management skills for the accepted applicants will vary according to their initial level of experience and knowledge and the complexity associated with the proposed new enterprise. See section 5.5. below for a discussion of complexity. It is expected that youth and women will propose the least complex businesses, followed by returning emigrants. Young engineers can be expected to propose projects which can be competitive at the European level. Training will then vary by TP, although some TPPMs can be combined, and thus, it will also vary by location. Youth and women are more tied to specific locations for both training and new enterprise formation. An important part of training is participation by the new entrepreneur in the preparation of the Feasibility Study as discussed in section 5.6. below.

The EOMMEX program discussed above consists of three stages stage one lasts for three weeks and aims at upgrading entrepreneurial characteristics and competence; stage two which lasts for four months concentrates on the prerequisite knowledge needed to make a business plan; and stage three which lasts for three-four weeks concentrates on operating a business. ETEPAP could usefully help to finance some of the business proposals as EOMMEX does not have the funds.

Since both EOMMEX and ELKEPA have training programs in existence, ETEPAP may either subcontract or direct its TPs to utilize these programs. Both organizations have offices in several locations. EOMMEX has 26 branch offices covering Greece. This has great advantages for those TPs who are tied to specific locations and particularly for women who may have family responsibilities.

### 5.3.3. Levels of Identification and Training

Developing both selective and non-selective methods of new entrepreneur identification and training are necessary.

#### 5.3.3.1. Initial Identification

It is not desirable to, for example, initiate ETEPAP's pilot program by offering to give psychological tests to those people who want to become entrepreneurs. Some people with talent and ability do not want to take tests for reasons of unfamiliarity or because of fear of failure or other reasons. This may be especially true for women whose self-esteem has suffered from sexist practices. People in rural areas may not be used to tests. It is suggested that non-selective 'awareness seminars' aimed at informing people about the pros and cons of starting a small business be held, jointly sponsored by ETEPAP and other central/local governmental and non-governmental organizations. See sections 5.3.3.3. below on current practice in England and section 5.11. below on local support groups.



From the point-of-view of developing ETEPAP, these awareness seminars can indicate the level of interest in entrepreneurship. Follow-up by direct contact with the seminar attendees becomes an important source of potential entrepreneurs.

5.3.3.2. Selective Training

Using formal written testing and/or interview techniques should be required for selection into one of the TP programs. The range and depth of the training depends upon those factors discussed in this section and in section 5.11. Experience in England suggests that TPs want and can absorb a considerable amount of training.

5.3.3.3. Current English Practice

There are four levels of entrepreneurial training currently in use in England. Most of these are offered through the Manpower Services Commission 'Training for Enterprise' program. The levels are, starting from the most selective program:

- (1) Graduate Enterprise Programs. These are highly selective programs of anywhere from 6 to 16 weeks duration offered at Business Schools. They are open only to college graduates who want to start their own businesses. The programs offer part residential instruction in business skills followed by project work to plan the new business. Since Greece does not have <sup>this type of</sup> a Business School, this form of program would have to be

put together from various sources. The proposed program for younger engineers has this characteristic.

(2) Small Business Development Courses. These are selective courses aimed at new entrepreneurs with smaller projects than those suitable for the Graduate Enterprise Program. The course is 8-10 weeks of classroom work plus a period for launching the new enterprise. It is offered at many locations and is sometimes available on a part-time evening basis.

(3) Self-Employment Courses

These courses have few entrance criteria, range from the part-time equivalent of 1 week up to 6 weeks full time. They average two weeks. This program is most suitable for those who expect to employ only themselves under a special UK program paying a subsidy for new self-employment enterprises.

(4) Self-Employment Awareness Seminars. These non-selective courses are 18 hours in length with the aim of informing people about their opportunities in small enterprise.

#### 5.4. ACTIVITY 4: Developing Investment Project Ideas

Project ideas in classical theory are the responsibility of entrepreneurs seeking to control and combine the factors of production in more efficient and/or new ways in order to produce specific products or utilize specific resources. In mixed economies, project ideas are developed at various governmental levels as well as by private sector entrepreneurs. ETEPAP's function is to help in the formation of project ideas by entrepreneurially oriented members of the TPs. The idea may originate with the entrepreneurs or with some other public or private sector group. This is both a core and non-core activity for development purposes. It is suggested that implementation involve only supervision and coordination by ETEPAP.

##### 5.4.1. Types of Project Ideas

For ETEPAP, there are two essential categories of project ideas: first, there are those developed by ETEPAP or other central government institutions (e.g., development banks, planning organizations, ministries, etc.) and called Centrally Generated Project Initiatives (CGPI); and second, there are those developed within the TPs or by other groups or individuals (e.g., local authorities, private sector, etc.) and called Locally Generated Project Initiatives (LGPI). The two types are usually generated by different processes, with the CGPI coming as a result of national sectoral analysis or the desire to exploit some large-scale natural resource, while the LGPI represent some particular inspiration

or expertise concerning markets, products, processes, local needs, resources, etc. Of course some large enterprises plan in a way similar to the CGPI, but this is not the case in Greece. Another way of distinguishing these two categories is by calling the first an example of 'project ideas from above' and the second 'project ideas from below'. Although they complement each other, priority is usually given to ideas from above in the context of government programs. Since the policy of the Government is to give priority to ideas from below, ETEPAP's focus should be on these, but not to the exclusion of offering good ideas based on centrally developed analyses.

5.4.1.1. The Nature of Project Ideas

Project ideas are just that. They represent the judgement of more or less informed persons (often based on a more or less detailed study) about what might be a feasible investment project.

5.4.1.2. Centrally Generated Project Initiatives (CGPI)

The development of project ideas by organs of the central government is important for precisely the reason that they do usually provide some sectoral analysis and thus have an overview of the national (or perhaps regional) market which is generally lacking in LGPI. The CGPI can serve as guides to the development of local projects, provide informa-

ation on mineral deposits, forests and other natural resources whose potential requires the expert analysis of the specialists employed by the central government. These studies are usually at a fairly high level of generality when it comes to project ideas. Exploiting a mineral deposit may or may not be commercially feasible irrespective of the quality of the ore. Nonetheless, there are many good projects suggested within these studies. Three examples of studies which contain project ideas at a high level of generality are the "Automobile Industry" and the "Machinery Industry", both in the UNIDO sponsored Integrated Activity Complex at KEPE, and another UNIDO sponsored study at KEPE entitled "Development Prospects of the Small-Medium Industry and Recommendations for Appropriate Policies and Programs". Other studies are available from KEPE, ETVA, EOMMEX, etc. ETEPAP needs to become the source of these studies and reports as well as EC material for its TPs.

5.4.1.3. Locally Generated Project Initiatives (LGPI)

This category consists of all project ideas not generated by the central authorities. It includes ideas from the existing private sector, new entrepreneurs (whether individuals, partnerships, joint stock companies, cooperatives, etc.), local auth-

orities and foreign investment. The central government may or may not be a partner or lender, or provide incentives to these projects if realized. An important characteristic of LGPI in Greece is that they are generally smaller in size (capital cost, employment, etc.) than CGPI. A reason for this is that governments like to deal with large projects as the fixed costs in time are very similar across project sizes for senior government executives. Unfortunately the same pattern exists for commercial banks who report relatively high fixed costs for analyzing small projects as compared to larger ones. It is thus more profitable to avoid small business and concentrate on large. Commercial banks in Greece are no different and this is a crucial reason for the creation of ETEPAP.

ETEPAP needs to develop contacts with the research and consulting institutions and firms of the private sector. The Institute of Economic and Industrial Research (IOBE) has prepared many sectoral studies.

#### 5.4.2. Active Democratic Planning and Implementation

The dichotomy of LGPI and CGPI is important for the formation of Government policy. The Five-Year Plan, 1983-1987 was developed on the basis of Active Democratic Planning, a process consisting of project proposals generated at locality meetings within a Nomos, the

consolidation and choice of these LGPI at the level of the Nomos followed by a series of iterations and negotiations between Nomoi authorities and the central government leading to an agreed plan. Needless to say, the main weight of preference was, for the final plan, given to the central government choices although there was a major effort to include those projects deemed crucial by the Nomoi authorities. As for plan implementation, the further in time the implementation from the original plan, the less likely the two were to coincide. Although this is true for all plans, divergence was great. Thus, although planning was democratized, implementation took its own route.

In addition, almost all the proposed projects were infrastructure. Of more than 2,000 LGPI less than 50 were for directly productive activities. It is likely, on the one hand, that projects which were usually undertaken by the government, e.g. infrastructure, were the ones proposed, and on the other hand, there was little effort made to redirect the proposals as the analyses required to propose alternatives were unavailable.

A significant amount of sector and branch analysis is now available so that planning for industrial restructuring is now feasible. What needs to be added is the ability of decentralized units to implement the plans that are developed. ETEPAP is a vehicle for this implementation.

### 5.5. ACTIVITY 5: Appraisal of Investment Project Ideas

One of the most difficult problems facing ETEPAP will be the appraisal of investment project ideas in order to determine for which ideas and potential entrepreneurs funds will be made available for Feasibility Studies. Although the program for younger engineers will require Opportunity Studies rather than merely ideas, the requirement for an appraisal process is no less pressing. The appraisal mechanism developed for project ideas and Opportunity Studies will also be useful for Feasibility Studies (see section 5.6. below). Appraisal will have to explicitly take into account the level of complexity associated with the project idea as management capability is a very scarce resource in the TPs. Some suggestions for this are given below.

#### 5.5.1. Appraising Centrally Generated Project Initiatives (CGPI) vs Appraising Locally Generated Project Initiatives (LGPI)

Although there are now more sector and industry studies (CGPI), see section 5.4. above, little has been done to move from project ideas to Feasibility Studies, implementable projects, and implementation. Part of the problem is that the Government has never led the way in this area before so that inexperience has hampered the whole process. Additionally many Government managers have been assigned to problematic firms. In any event, the central authorities have not been able to overcome the fall in investment occasioned by entry into the EC and other



factors sufficiently to begin the major restructuring required in Greek industry. This has again placed more of the developmental burden on LGPI, with the central authorities now possessing a clearer understanding that it is not enough to request investment proposals -- the Government must also help to create the proper conditions for the generation, development, financing and implementation of investment projects by decentralized decision-making units. These programs are likely to be an integral part of the next Five-Year Plan for 1988-1992 which is now being formulated.

5.5.1.1. Centrally Generated Project Initiatives (CGPI)

CGPI come with the imprimature of the central government and are usually the outcome of sector, branch and industry studies. They are not the outcome of entrepreneurial activity. If the underlying analysis has been done competently, the CGPI should be roughly more than just an idea, but less than an opportunity Study (UNIDO, Manual on the Preparation of Feasibility Studies, 1978). CGPI generated for Greece rarely have a sub-national focus unless they are associated with specific natural resources or <sup>other</sup> positional assets. Thus, for ETEPAP's pilot phase the CGPI will have to be evaluated for their viability if located within the specific areas chosen for the test. The same holds true for later phases in different areas.

A few more detailed analyses similar to Opportunity Studies are undertaken by the Industrial Development Bank (ETVA), the Agricultural Bank (ATE), and several ministries.

5.5.1.2. Locally Generated Project Initiatives (LGPI)

LGPI will, for most of ETEPAP's projects, initially consist of just project ideas without the supporting materials that one expects from CGPI. They will also be unlike the projects currently being submitted to the investment incentive law which are fully developed in accordance with the requirements of the law and the needs of the entrepreneurs. The appraisal procedure will thus be more arbitrary for the proposals made to ETEPAP because of the lack of information. This is not so for the younger engineers program which requires an Opportunity Study for potential entrance, but it is highly likely for the other three TPs. There is also a great likelihood that most of the project ideas from women, youth and returning emigrants will be for the requirements of local and regional markets. Appraising these projects will require local knowledge and ETEPAP needs to have a program to harness the local knowledge available (see section 5.11. below). The local knowledge required here will often be different from that of the CGPI. The CGPI are usually associated with national markets and their specific location is a matter of 'regionalization' as they are not as dependent on local and regional purchases although these may be important.

### 5.5.2. Developing the Appraisal Activity

Development of the appraisal activity is both core and non-core as ETEPAP will not have the necessary expertise nor should it attempt to analyze independently either the project ideas (or any subsequent studies) or their appropriateness for a specific location. Reasons for this were given in section 4.1.1.1. above.

ETEPAP will need to develop Project Appraisal Groups, both for project ideas and the more detailed Opportunity and Feasibility Studies. These groups will, ideally, be composed of businesspeople, bankers and technical persons whose judgement is based on considerable experience and expertise in assessing the commercial and technical viability of a proposal. By using outside appraisers, ETEPAP will be able to rapidly put appraisal groups into action, especially in the Nomoi chosen for the pilot program. Experts can be enlisted from the local support groups of section 5.11. below, from the organizations who are also engaged in identification and training of entrepreneurs, section 5.3. above, from the consulting and engineering groups at a national level and from the universities.

Local knowledge is extremely important in evaluating projects. Every effort should be made to secure the needed cooperation of the groups listed in section 5.11. above. Of course, local interests may not always be open to new enterprises and this must be countered by the

inclusion of members of the other groups mentioned in the preceding paragraph. Individuals should be paid for their participation in a Project Appraisal Group.

5.5.3. The Project Idea Appraisal Process

It is probably the case that, given ETEPAP's goals and the general level of project idea proposals, a great deal of money will, at least initially, have to be spent on studies which indicate that a project idea is not viable. Thus it is very desirable to develop a process by which the likely flood of project ideas can be divided into those which merit, however slightly, further study and those which are clearly non-starters. The survivor criterion presented in the UNIDO study "Development Prospects of the Small-Medium Industry and Recommendations for Appropriate Policies and Programs in Greece" (KEPE, 1980) is an extremely useful way of looking at project ideas. It cannot provide information on project ideas that are new elsewhere as well as in Greece (e.g., computer software) or on projects for which Greece's changing comparative advantage now makes production/ possible. The project idea appraisal process can look at just a few of the of the potential project's facets, and those mainly on the technical, managerial, marketing and other non-financial sides. There will not initially be any data that could be considered sufficient for financial analysis, but the group should make an effort to define the total capital required even if only as an order of magnitude.

It is suggested that project ideas be initially appraised according to their complexity. The greater the complexity, the greater will be the need for managerial skills. Listed below are five selected enterprise complexity dimensions. Each of the dimensions has (somewhat arbitrarily) four levels of complexity, with the simplest assigned number 1 and the most complex number 4. Other aspects of complexity can be added where they are desirable. Project ideas can be appraised directly as potentially viable or very probably non-viable with the latter discarded. In addition to project idea viability, the appraisal groups can compare the complexity rank of a project idea with the estimated competence of the project proposers. There should be some correspondence between what the project idea proposers feel that they are capable of doing and their qualifications as assessed by the working groups. Appraisers need to remember that the TPs will undergo considerable training before they implement the projects so it is their potential and not only their current qualifications. ETEPAP needs to guard against both unconscious and conscious sexism biasing the committees judgements.

Alternatively the working groups can seek to match project ideas (from CGPI, for example) with persons who have the entrepreneurial qualifications to carry them out. Another alternative is to train project idea proposers in several sessions before they make a project commitment. Self-awareness of strengths and limitations is often a key to successful action.

The selected enterprise complexity dimensions cover, non-parametrically, the reduced set of national parameters suggested in UNIDO, Manual of Evaluation of Industrial Projects, 1980. Naturally, the appraisers will enrich these categories with their own special knowledge and experience. The categories are: (1) physical input availability; (2) human skills required; (3) production processes needed; (4) marketing area and distribution channels; and (5) the nature of competitors. Capital requirements are not specifically included but their size is always a factor. The effect of Greece's membership in the EC must be assessed for every proposal.

5.5.3.1. Physical input Availability

For each important input, the geographic source of production is an indication, in part, of the complexity of the procurement process, and whether the use of an input contributes to national net value added or uses foreign exchange. It also indicates possible sources of competitive strength for the project idea, if the input is for example, produced locally or regionally and therefore possibly more costly to differently located competitors. This may be important for agroindustrial projects. The four categories are:

1. Locally produced
2. Regionally produced
3. Nationally produced
4. Imported

5.5.3.2. Human Skills Required

The higher the level of skill/education required for the new enterprise, the more complex or advanced the project is likely to be, and the more expertise and experience needed by the project idea originators or possible implementers. It is also an indirect measure of value added. The four categories are:

1. Unskilled
2. Semi-skilled
3. Skilled
4. Professional and technical

5.5.3.3. Number of Different Production Processes

This is a proxy for managerial problems relating to control, supervision, coordination and scheduling of production. A larger number of processes makes production more complex and problematic. The four categories are:

1. 1 or 2 processes
2. 3 or 4 processes
3. 5 or 6 processes
4. 7 or more processes

5.5.3.4. Marketing Area and Distribution Channels

The size of the expected marketing area and the setting up of own or using existing distribution channels indicates not only the complexity of the marketing effort but its initial cost as well.

Exports are included as a category but it is well known that new and small firms find this activity particularly difficult. The four categories are:

1. Local
2. Regional
3. National
4. Exports

5.5.3.5. Nature of the Competition

The assessment of the competition's strength in relation to technology, quality, distribution, marketing and so on indicates the level of efficiency, quality, etc. that the new firm will have to meet. Reliance has been placed on the competitor's location and market spread to combine the many dimensions contained in the concept of competition.

The four categories are:

1. Local competition
2. Regional competition
3. National competition
4. Imports



5.6. ACTIVITY 6: Preparing Feasibility Studies Suitable for a Project Implementation Decision

Project ideas which have passed the appraisal process and Opportunity Studies approved in the younger engineers program are developed into Feasibility Studies suitable for deciding if the project should or should not be implemented. There are manuals on the preparation of Feasibility Studies (e.g., UNIDO, Manual for the Preparation of Feasibility Studies, 1978) and the exact form should correspond to the depth needed to make the final decision. Small projects do not need expensive and time-consuming studies. For reasons similar to those discussed in section 5.5. above, this is both a core and non-core activity. Irrespective of size, Feasibility Studies are not cheap and ETEPAP should make an effort to get as much as possible out of their preparation. This requires that those who are to be the new entrepreneurs participate in the study and that the studies be developed in modular form.

5.6.1. Participation of New Entrepreneurs in the Preparation of the Feasibility Studies

The members of the youth, women and returning emigrants TPs are likely to have little real acquaintance with all the technical, economic and financial aspects of investment project preparation. They are also likely to be inexperienced enough so that if given a completed Feasibility Study to implement, they would be unable to do so. At the Mondragon Industrial Cooperative in Spain,

a member of a group desiring to form a new cooperative is designated as the potential manager. This person participates in all phases of the Feasibility Study so that he/she is fully acquainted with not only every aspect of the completed study, but also with all the discarded alternatives. This takes place at the Caja Laboral Popular, the bank associated with the Mondragon Cooperatives. The designated manager is paired with an experienced person from the bank's studies department and may select a bank idea (CGPI) or bring an idea to the bank (LGPI). Those who have studied Mondragon's operations believe that this process of training the new manager has been crucial to the success of the new cooperatives. It also gives the bank, as the major lender, an opportunity to look over and evaluate the potential manager. ETEPAP should be afforded the same opportunity. At present the process of preparing a Feasibility Study at Mondragon takes more than 18 months because of the size of the projects. Only the younger engineers program envisages a similar time span. ETEPAP should fund a similar process for the new entrepreneurs in its programs. Each individual or one from a group chosen to be the manager should participate from beginning to end in the preparation of the Feasibility Study in order to be fully conversant with the project. ETEPAP will have to find engineering firms, consultants, etc., willing to take on these new entrepreneurs in

their own offices and spend time with them to instruct them in their tasks. The costs of this (such as living expenses) can eventually be recovered by ETEPAP when the business, if successful, is purchased by the new entrepreneurs (see section 5.7.4.3. below). Alternatively ETEPAP can require the new entrepreneurs to pay their own costs. Mondragon uses the former procedure, making the cost a loan to the new enterprise. Since ETEPAP will be paying for quite a few Feasibility Studies, it should have the market power to insist on these arrangements.

#### 5.6.2. Modular Feasibility Studies

Given the expense of Feasibility Studies, they should be prepared in 'modular' form so that large parts of one study can be carried over to the next which may be for a different region. A modular Feasibility Study is one of a series with a constant format so that ready comparisons can be made in the event of a very similar proposal for that project. The format is designed to separate technological choices from others.

#### 5.6.3. Appraisal of Feasibility Studies

Committees to appraise the completed Feasibility Studies on ETEPAP's behalf should be formed. The committees, much like those appraising project ideas, see section 5.5.2.3. above, should consist of bankers, business-people and appropriate technical experts. This appraisal process is necessary as an independent check before

ETEPAP commits itself to becoming a shareholder.

There is an appraisal process under Investment Incentive Law 1262/1982 but this occurs after ETEPAP's commitment.

These Appraisal Committees can also be used to evaluate the Opportunity Studies which are a requirement for entrance into the young engineers program.

5.7. ACTIVITY 7: Financial Packages for New Enterprises and New Entrepreneurs

The key element in ETEPAP's activities is the development of financing sources and financial packages to meet the needs of the new entrepreneurs and the new enterprises.

To start with, ETEPAP itself is a special credit institution -- a form of investment bank -- whose entire resources are devoted to the development and financing of start-ups of new enterprises by members of the TPs. ETEPAP itself is financed by the Ministry of National Economy and the Hellenic Industrial Development Bank who will contribute 500 million drachmas for initial operations.

5.7.1. Equity Participation

ETEPAP will take equity positions in the new enterprises it finances, taking losses if the business is unsuccessful and selling out at cost if that is desired by its partners. ETEPAP's aim is to create new viable enterprises and then move on. It does not seek to make a large profit on the sale of equity as does a venture capital company. On the other hand, ETEPAP is not designed to provide operating subsidies to its companies. If the business is not commercially viable it will be allowed to die. This basis of operation will mean that some of ETEPAP's money will be returned for new companies to be formed but losses can only be made up by new financing from the Government.

5.7.2. Use of Existing Investment Incentive Programs

The basic principle of ETEPAP project financing, developed in 1984, is to utilize the opportunities available to investors under Investment Incentive Law 1262/1982 as amended. Law 1262 offers a wide variety of incentives which depend upon more than 15 criteria. This law is currently being revised to provide more incentives for investment in the areas surrounding the larger cities. The Feasibility Studies should accurately define all the categories needed for Law 1262 evaluation. Special incentives are given for investments by returning emigrants, cooperatives, local government, and other categories of lesser immediate interest to ETEPAP.

Of greater interest to the foundation of ETEPAP is the proportion of 'own' capital required of the new entrepreneurs, the proportion of total capital given as a grant by the Government, and the terms on which loan capital is available from others. These categories describe the fundamental parameters within which ETEPAP will function. In order to meet the 'own' capital requirements of Law 1262 and qualify for the grant, it will be necessary for ETEPAP to take an equity position as the new entrepreneurs are not expected to have sufficient capital of their own (see section 5.7.6. below).

### 5.7.3. Financial Structure of Greek Firms

In the discussion below, an underlying fact is that there is, in general, a very low ratio of own to borrowed capital in Greek industry. This leads to excessive company exposure to changes in the interest rate and other lending conditions. Alternative sources of funds are scarce as the organized capital and equity markets function very poorly. Many important firms have become 'problematic' (or overindebted) as interest rates have risen and they have had to be taken over by the Government for rehabilitation. With this as a background, the Government is very cautious about promoting new firms whose balance sheets will be very weak from the outset. At the same time, the Government is desirous of creating new competitive capacity in the secondary sector and in other selected areas such as tourism, computer software, etc. ETEPAP is the vehicle for these investments undertaken by its specific TPs.

### 5.7.4. 'Own' Capital Requirements

Two of the most successful new enterprise promotion schemes, the Grameen Bank in Bangladesh and the Mondragon Cooperatives in the Basque area of Spain have taken very different routes to achieve their goals. However, in each case the issue of 'own' capital has been dealt with as a first priority. The differences in approach stem from differences in the TPs and the opportunities available to them. The important similarity is that both schemes are dominated by a special credit institution with the financial resources to put new enterprises into operation.

5.7.4.1. The Grameen Bank

The Grameen Bank lends only to the poorest villagers in Bangladesh. Any household with more than half an acre of land or assets worth more than the going price for an acre is excluded from membership. This TP does not have any 'own' capital. In order to ensure loan repayment the Grameen relies first on a careful analysis of the use of the loan, supervision of the use of the money once it has been disbursed, and peer pressure for repayment. The peer pressure occurs because potential borrowers are formed into groups of five, train for at least seven days before achieving membership in a Grameen unit, and cannot receive a new loan unless all the other members of their group are repaying regularly. There is thus an incentive for each member of a group of five, and their elected leader, to provide assistance to the other members and press them to meet their obligations. The initial TP for the bank is women who tend to have a better repayment record than men and who are more responsive to their families needs in the use of the income arising from the loan. This pattern serves the dual goal of raising the family incomes of the poorest and increasing the control by women over their own and their families lives. This is consistent with the goals of the Greek Government as well. Once the loan is repaid



members are eligible, if their group is paid-to-date, for another loan and so on.

5.7.4.2. The Mondragon Cooperatives

The TP for the Mondragon Cooperatives is the Basque community in Spain. Started as a nationalist self-help program in the mid-1950s, the cooperatives now employ more than 18,000 people in 150 operating units. From the start, the principle of paying in 'own' capital has been a requirement for membership. The current cost to a new member is about \$7,000 in the form of a refundable interest-bearing deposit. Loan capital has come from Mondragon's own bank, the Caja Laboral Popular. The Caja, unlike the Grameen Bank, is an equity participant in each cooperative on a permanent basis and is the ultimate arbiter of a cooperative's health. The Caja can force through changes in management and any other needed restructuring. In return, the Caja provides solid financial backing plus high quality advice. The requirement for careful preparation of a new cooperative, see section 5.6.1. above, is crucial for success. The U.K. Government has just announced a £200,000 grant to promote Mondragon style cooperatives in the depressed north of England (London Financial Times, 6 May 1987).

5.7.4.3. Comparing the Grameen Bank and the Mondragon Cooperatives

First, the central institution in the success of both programs is a bank committed to providing finance capital to its TPs for new projects (and subsequent expansions). Loans are made in the case of Grameen and a combination of loans and equity participation in the case of Mondragon. The key differences between the two institutions are in their TPs and practices regarding cooperatives. The poorest stratum of Bangladesh's peasantry does not possess any 'own' capital while the Basque area, originally a relatively underdeveloped part of Spain, is nonetheless rich enough to enable its inhabitants to provide a substantial 'own' contribution. The pattern of enforcement, in one case for repayment only, in the other for industrial finance and strategy stems from the emphasis on individual very small enterprises in Bangladesh and for adequately scaled cooperative enterprises in Mondragon. In rural areas of Bangladesh, however, individuals with little or no land, who are illiterate, lack any socialization into the rhythm of factory work, and do not have ultra-nationalist feelings cementing group solidarity are not likely to make good members of industrial cooperatives.

5.7.5. Lessons for Greece

Both Grameen and Mondragon have found mechanisms to channel their members actions toward commitment to the rules and goals of the institutions. Both use self-interest and community or peer group interests to condition individual behavior. This reduces significantly the cost of enforcing the loan contracts, a significant problem for ordinary commercial and investment banks. On the other hand, both banking institutions have higher pre-loan costs as they <sup>help/</sup>finance the studies necessary for starting a new business. By taking an active interest in the quality of the preparation and the character of the entrepreneur/manager, both Mondragon and Grameen can expect a higher success ratio than other credit institutions for the small businesses that they start. Mondragon's companies have grown significantly. The same is true starting from a much smaller base for the self-employment activities of Grameen's clients.

At Mondragon, financial commitment is a prerequisite for membership. At Grameen, peer group pressure enforces not only repayment but also its prerequisites, careful investment and constant attention to the enterprise. The nationalist sentiment which is so important at Mondragon is lacking at Grameen. Nonetheless, both banks are able to promote the 'right' kind of behavior from their clients.

The lessons for Greece can be divided into two parts. The first consists of those rules or practices which are transferable to Greek conditions. The second consists of those attributes or characteristics which are specific to the country, region or TP and for which analogues will have to be found in Greece.

5.7.5.1. Transferable Rules or Practices

The key transferable rule/practice is the requirement for careful preparation of the new enterprises and proper screening and training of the new entrepreneurs. This is enforced by the special credit institution during the pre-loan period, during investment project implementation, and during start-up and continuing operation while the loan is being repaid. Training is a continuous feature of both Mondragon and Grameen.

At Mondragon, at least 18 months are usually consumed in choosing the investment project and preparing the Feasibility Study by the designated manager and the staff of the Empresarial Division of the Caja Laboral popular. A 'godfather' who is personally responsible for helping the designated manager is appointed from the Empresarial Division. This is a feature that can be replicated in Greece. The new manager is thus fully acquainted with all the issues and options that can arise in the new enterprise. He/she has maintained contact with the other members of the new cooperative so that they are fully informed. Finally the Caja is satisfied,

both with the expected viability of the new enterprise and the knowledge and capability of the new manager. At Grameen, only seven days are required for training, but the projects are at the simplest level with tasks that the new entrepreneurs have very often been doing for others. The loan capital requirement is about \$50 for the first loan as against \$7,000 of 'own' capital plus bank loans at Mondragon. However, each Grameen group of five borrowers meets once a week at the Grameen Center in the village to discuss their enterprises' successes and problems. The Caja monitors each enterprise from its seat on the Board of Directors as holder of 20% of the equity plus an intimate knowledge of the enterprise's financial situation based on loan amortization. ETEPAP can certainly fulfill functions similar to these and can help create self-help groups at the Nomos/locality level (see section 5.11. below).

A similar mode of operation characterizes the regionally oriented Enterprise Boards in England. Like the Caja, the Enterprise Boards take an equity interest in local small/medium businesses, either for start-ups or expansion. Unlike the Caja or Grameen, the Enterprise Boards have not been intimately involved in project preparation. This probably reflects

the higher general level of economic and technical development in the U.K. Funds for the Enterprise Boards have come from local government. One of the best known, the West Yorkshire Enterprise Board has lent about one-half of its £20 million capital in 70 investments ranging from £17,000 to £1 million. Profits in the year ending September 1986 were almost £1 million. The Caja, on the other hand, is a regional bank, accepting deposits from the public and making loans within its own region.

For ETEPAP, the extent of project preparation will vary by TP and project size/complexity. Participation by new entrepreneurs in project studies and management and other necessary training will be a rule/practice although this will be arranged differently than at Grameen or Mondragon. ETEPAP will not have its own staff to develop studies like the Caja nor can it rely on a short seven day program like Grameen. ETEPAP will have to develop a set of interlocking support mechanisms ranging from candidate screening to participation in study preparation to local support groups and continuous monitoring by ETEPAP itself. ETEPAP will have to be in a position to act decisively at any time in order to protect its equity investment or out-of-pocket costs. This will be much more difficult than at Mondragon where, for example, a manager who is replaced merely becomes another worker at the same company.

#### 5.7.5.2. Specific Characteristics

Neither the peer group pressure of Grameen nor the regional nationalism of Mondragon will be readily replicable in Greece. At the same time, the general level of economic and technical capability shown in the project proposals made to the English Enterprise Boards will, with the exception of the younger engineers TP, not be present in the proposals from the other TPs. This appears to place the greatest reliance for goal adequate behavior on the new entrepreneurs desire for success, which has many dimensions, and a significant contribution of 'own' capital. This can be reinforced by ETEPAP's representative on the Board of Directors adhering to accepted private business criteria in evaluating the financial results of the new enterprise and the adequacy of its management. A welfare approach will not be helpful in allowing the new entrepreneurs to grow as businesspersons. A specific suggestion for rewarding success is made in section 5.7.6. below.

The second specific characteristic, 'own' capital will need to be developed in a suitable manner for each of the TPs. There is an expectation that the projects for youth and women will be the smallest in size and least complex, the projects for returning emigrants will be similar or somewhat larger, while those

for younger engineers may be considerable larger and have a higher degree of complexity. It will accordingly be easier for youth, women and returning emigrants to self-finance a larger proportion of the capital cost of their projects than for younger engineers to do so.

5.7.6. General Principles of ETEPAP Financing

ETEAP's mechanism for obtaining the 'right' behavior from new entrepreneurs originates in the way that Investment Incentive Law 1262/1982 functions, and in the relation of Government 'grant' capital to 'own' capital. It is proposed that as successful new entrepreneurs buy out ETEAP's 'own' capital contribution to the new enterprise, the new entrepreneurs receive free ETEAP's portion of the Government grant capital. This involves no out-of-pocket cost for ETEAP but it does mean that income is foregone. The assumption made here is that ETEAP's purpose is to help create viable new businesses and not to make a profit itself. This clearly distinguishes it from the English Enterprise Boards and from some aspects of the Caja Laboral Popular operations. ETEAP is more like Grameen, accepting losses when its 'clients' are unable to repay, but not expecting to profit from the new entrepreneurs' success. This places the burden on the Government to replenish ETEAP's capital when necessary. It also obligates ETEAP to act as a true shareholder rather than another way to subsidize employment.



5.7.6.1. An Example of ETEPAP's Financing Principle

Minimum 'own' capital requirements as a % of total capital requirements under Investment Incentive Law 1262/1982 can range from 10% for special investments in high priority regions to 35% for standard investments in low priority regions. The minimum Government 'grant' level is 10% and the maximum is 50%. The basic example used is a hypothetical but common distribution. The proportion of capital and its relation to equity for 20% 'own' capital, a 40% Government grant and 40% loan capital is:

<u>Capital Sources</u>	<u>Capital</u>	<u>Equity</u>
'Own' Capital (incl. ETEPAP)	20	100
Government Grant	40	0
Loans	40	0
Total	100	100

A simple illustration of ETEPAP's principle of financial incentives is the following. Assume that new entrepreneur 'own' capital is 5% of total capital required and that ETEPAP contributes 15% to meet the 20% required by the incentive law. Then, the new entrepreneur would get one-quarter or 10% of the Government grant as 5% is one-quarter of the 20% 'own' capital. ETEPAP would initially receive the remaining three-quarters of the grant equal to 30% of the total capital. If the business is successful, the entrepreneur will buy out ETEPAP's 15% portion of the 'own' capital. As this is purchased, ETEPAP would transfer its corresponding portion of

the Government grant to the entrepreneur. This would leave ETEPAP whole, and some fee could be charged for ETEPAP's out-of-pocket costs (see section 5.6.1. above).

The entrepreneur would buy, at cost plus a fee, 15% of the business and receive 30% as a grant from ETEPAP who, in turn received it from the Government. Loans would be repaid as usual. The exact buyout terms could be generous, with ETEPAP still voting the stock while the new entrepreneur used the profits to buy it. The general operation of the scheme could show the following proportions at three different points in time with loans remaining unchanged.

At the time of investment.

<u>Capital Sources</u>	<u>Per Cent</u>	
	<u>Capital</u>	<u>Equity</u>
'Own' Capital (Entrepreneur)	5	25
'Own' Capital (ETEPAP)	15	75
Grant (Entrepreneur)	10	0
Grant (ETEPAP)	30	0
Loans	40	0
Total	<u>100</u>	<u>100</u>

When 5% of ETEPAP's 'own' capital has been purchased, 10% from ETEPAP's grant portion is also transferred to the entrepreneur.

<u>Capital Sources</u>	<u>Per Cent</u>	
	<u>Capital</u>	<u>Equity</u>
'Own' Capital (Entrepreneur)	10	50
'Own' Capital (ETEPAP)	10	50
Grant (Entrepreneur)	20	0
Grant (ETEPAP)	20	0
Loans	40	0
Total	<u>100</u>	<u>100</u>

After all of ETEPAP's 'own' capital has been purchased and all of ETEPAP's grant portion has been transferred to the entrepreneur.

<u>Capital Sources</u>	<u>Per Cent</u>	
	<u>Capital</u>	<u>Equity</u>
'Own' Capital (Entrepreneur)	20	100
'Own' Capital , ETEPAP)	0	0
Grant (Entrepreneur)	40	0
Grant (ETEAP)	0	0
Loans	40	0
Total	<u>100</u>	<u>100</u>

A crucial aspect of the scheme is that it does not produce the typical case in Greece of a lack of 'own' capital and overreliance on borrowed funds. ETEPAP takes the loss of its investment if the firm goes bankrupt. As long as the total capital required for a new enterrpise is low, 5% of say 50 million drachmas is 2.5 million (about \$20,000) which should not be an overly large sum for a new entrepreneur (or several partners).

5.7.6.2. Problems in the Operation of Law 1262/1982

Two important problems have arisen in the operation of Law 1262/1982. The first is that it often takes as long as two years to secure an approval. Although the rate of inflation in Greece has declined, it is still over 10% at this time making the capital cost of a project more than 20% higher after a two year delay. Many approved projects have not been implemented for this reason, especially when the rate of inflation was over 20% per annum.

The second problem is that land has frequently been used as a part of 'own' capital where it has been needed for the new enterprise. The Law 1262 Approvals Committee has often placed a higher valuation on this land than commercial banks who, in the example above, would be asked to provide loans equal to 40% of the total capital. The banks have refused to make the loans.

Both these problems need the attention of those responsible for Law 1262 approvals. ETEPAP will not be able to function effectively unless these issues are resolved.

5.7.6.3. Alternate Sources of Capital

New entrepreneurs should be encouraged to find alternate sources of equity capital. There may be local sources in neighbors, businesspersons, local government, venture capital funds, etc. ETEPAP should try to develop these sources. Unfortunately, the national capital and equity markets function poorly, but the Government can make efforts to improve their operation. Another difficulty at the present time is that commercial banks are offering a risk-free and tax-free rate of interest of about 14% on ordinary accounts. This requires a very high project rate of return to attract others' equity capital.

The Business Expansion Scheme in the U.K. offers tax relief to equity investors in unlisted companies providing they keep their shares for a minimum of 5 years. BES funds have been set up to which companies can apply or a company can issue a prospectus to attract BES investors. Mixed results so far have been the result of this type of Venture Capital Fund. The lack of a properly functioning equity market makes it a problematic scheme for Greece, as a key aspect of the U.K. program is that capital gains are forgiven when the equity is sold.

5.8. ACTIVITY 8: Programs to Implement Investment Projects

The aim here is to assist in the implementation of the approved Feasibility Studies. Such issues as contractors and tenders, specific infrastructure required, final site choice, etc., may require advice and investigation. For some of these problems ETEPAP can help locate experts and subcontract the work to them. At a minimum, lists of ETEPAP approved consultants and contractors might be a way of channeling the best help to the new entrepreneurs. This kind of list, of course, is always open to abuse. However, ETEPAP will be left with the difficult supervision and coordination function consistent with its position as a partner in the new business.

5.8.1. Cost Overruns During Construction

Overinvoicing has been common during the construction and equipping of investment projects in Greece. Using land for the new enterprise as an important part of 'own' capital, the money has been siphoned off from the Government grants and bank loans leaving the company in a weak financial position. Clear and severe budget constraints backed by strict controls will be necessary as the new entrepreneurs are contributing only 5% of the total capital requirements. ETEPAP will have to subcontract part of this auditing to others.

## 5.8.2. New Enterprise Location

Advice/assistance in finding the right location for the new enterprise may be an important part of ETEPAP's activities. ETEPAP can, for example, insist on the development of Business Incubation Centers, see 5.8.2.1. below, in the pilot program Nomoi or undertake special agreements with the Handicrafts Centers of EOMMEX or the Industrial Parks of ETBA. The operations of the Handicrafts Centers and the Industrial Parks are well known.

### 5.8.2.1. Business Incubation Centers (BICs)

Business Incubation Centers, developed in the United States, are facilities whose purpose is to reduce the risks of new small businesses by lowering their overhead costs and providing management advice and support. BIC characteristics are: (1) a common location for the businesses; (2) shared support services; and (3) on-site management assistance. The building may be designed as a BIC or renovated from an existing structure. The shared services can include common telephone answering, secretarial and other business services, copying machines and conference rooms. Management support depends upon need.

Some of ETEPAP's new enterprises may have a much higher survival rate if they are located in a BIC. Both ETBA and EOMMEX are currently discussing a proposal to study the potential for BICs in several of Greece's larger cities. ETEPAP should make itself

aware of this ongoing effort with a view to using,  
if desirable, BICs developed by others.



5.9. ACTIVITY 9: Programs to Provide Continuing Advice and Assistance During Project Start-Up and Continuing Operations

The necessity to assist new entrepreneurs and new enterprises is well known. ETEPAP needs to take an active part in developing a roster of experts, but should generally leave the work to the subcontractors. This is therefore both a core and non-core activity.

ETEAP must avoid an overly paternal approach by allowing new entrepreneurs to express themselves and grow through problem-solving. An analysis of Irish Development Authority policy in providing consulting (National Economic and Social Council of Ireland, A Review Of Industrial Policy, No. 64, February 1982) criticized the IDA for making small businesspersons more and dependent on its consultants instead of allowing them to solve their own problems. The approach discouraged the kind of risk-taking that makes companies grow without, at the same time, making failure much less likely.

However, ETEPAP is a stockholder and needs to properly fulfill its responsibilities. In general, ETEPAP should try to avoid being involved in enterprise operations and confine its role to setting policy, approving plans and programs and evaluating operating results in its role as a member of the Board of Directors. ETEPAP may wish to recruit well known businesspeople to sit on the boards of its companies, avoiding the problem of lack of its own objectivity in reviewing results.

5.9.1. Subsidized Consulting

By subsidizing consulting (or using EOMMEX services), ETEPAP would let the new entrepreneurs determine whether or not they needed counseling and how much is required. As an example, the Small firms Service of the Department of Trade and Industry in the U.K. offers the counseling services of self-employed management consultants who have undergone special training in the problems of small business. The first three days are free with a subsidized fee charged thereafter.

5.10. ACTIVITY 10: Development of Regional Data and Databases to Assist in the Promotion of ETEPAP's Programs

ETEPAP will introduce its programs at the Nomos level. In order to choose which Nomoi should be included in the pilot program, and the order of introduction thereafter, it is necessary to develop criteria by which Nomoi can be compared and the data and databases to make the comparisons. In the first instance, Nomoi should be chosen for pilot programs according to their ability to successfully absorb ETEPAP's activities and meet the objectives and strategy defined in sections 1. and 2. below. A separate report will develop the pilot program. Dr. Z. Georganta of the Center for Planning and Economic Research has developed the databases and regional data.

5.11. ACTIVITY 1: Development of Local Support Groups in the Nomoi

This is both a core and non-core activity. In order to provide local assistance to new entrepreneurs, both as moral support and for the provision of knowledgeable advice, ETEPAP should attempt to develop Nomos-based and national level groups of businesspeople, local authorities and others who want to help with the promotion of new entrepreneurs and new enterprises. These groups are important for the status they afford their members as leading citizens trying to increase the level of economic activity in their Nomos, and for the status they would confer on the new entrepreneurs as those who will be responsible (in part) for the future growth of the area. Local backing for new ventures not only provides experienced advisors to new entrepreneurs, but also helps to create the kind of general climate in which new businesses can flourish. All Non-Governmental Organizations (NGOs) which can contribute to the success of ETEPAP should be encouraged to do so. Cooperation by Nomoi and local authorities should be mandatory. These groups will reduce the size of the locality staff required for ETEPAP's own operations, and some of their members can be recruited for the various project and Feasibility Study Appraisal Groups. Once they are in operation, ETEPAP will only need to coordinate their activities. However, there may be some particular difficulties in setting up these groups in Greece.

### 5.11.1. Existing Business Organizations

There are a number of existing business organizations that could serve as support groups or could help in setting up support groups by making this need known among their own members. Examples of these organizations are: the Union of Greek Industrialists (SEV); the Industrial and Commercial Chamber, the Technical (engineers and scientists) Chamber; the Manufacturers Federation; Nomos Union of Agricultural Cooperatives, Union of Hotel Owners and other specialized organizations.

Whether these organizations or some of their members will be willing to serve in local support groups depends upon how they and their individual members view the new entrepreneurs. If they are viewed as potential competitors rather than as contributors to economic development, the existing organizations will be hostile. This is possible as most companies in Greece are small. In the manufacturing sector, over 93% of the establishments employ less than 10 persons. About 0.5% employ over 100 persons. In smaller cities and rural areas, enterprises tend to be very small.

#### 5.11.1.1. Enterprise Agencies in the U.K.

The English experience is that large firms are the ones most likely to contribute to the formation of new small enterprises. An Enterprise Agency system has been set up whereby firms -- and almost exclusively large and successful ones -- contribute money

or second experienced staff to over 250 locally developed Enterprise Agencies who usually work with local authorities and the Government to provide one-stop advice and counseling for small businesses. The Enterprise Agencies do not create jobs themselves. In France the National Agency for Enterprise Creation (ANCE) has developed a wide range of contacts with Non-Governmental Organizations at the national and regional levels.

5.11.1.2. Potential in Greece

It would seem logical for ETEPAP to approach the national offices of the various NGOs to sound them out before trying to develop linkages at the local level. The national offices may have a broader point-of-view and their approval may help in obtaining a fair hearing in the Nomoi. One of these organizations, the Institute of Economic and Industrial Research (IOBE), which is associated with SEV, has been developing a program with the European Center for the Development of Professional Training (CEDEFOP in Berlin) to provide courses in entrepreneurship for returning emigrants. IOBE has proposed that the Institute for Industrial and Professional Specialization (IBIE) offer the program. The Union of Greek Industrialists (SEV) which includes the largest firms in Greece plans to participate.

If a large firm approach is taken, the data on firm size and location are in the ICAP manuals.

There are less than 1000 manufacturing firms with more than 100 employees in Greece, they tend to be located in and around the largest cities, and there is an acknowledged lack of qualified managers. One possibility is to make special requests to the Transnationals operating in Greece. They tend to be larger, better staffed with Greek managers and far less likely to be threatened by new enterprises. They may even feel that contributing to the realization of new enterprises is good for their public image.

#### 5.11.2. The Banking System

The banking system is essentially state-owned, dominated by a few very large multi-branch banks whose focus is national rather than regional/local and relatively backward in its credit policies. The banks, it is said, are indifferent, if not hostile to the needs of small business. Despite this, it is absolutely necessary to involve some of the large banks in ETEPAP's support groups or in their own support group. There are several reasons for this need: first, bankers are often very knowledgeable about their area; second, the banking system is involved in supplying credit to the new enterprises under Law 1262/1982 and it would be desirable to know their policies and have some of their input prior to making a loan application; third, the involvement of local bankers would be a signal of seriousness to the

business organizations at the national and local levels; and fourth, it would also provide a very positive signal to potential entrepreneurs. Since the banking system is dominated by a few banks, an approach will have to be made to the central office before seeking cooperation from a branch.

5.11.3. Local and Regional Governments

ETEPAP will have to develop cooperation with the various levels of sub-national government. This will be easiest at the Nomos and Periferia (group of Nomoi) levels since the Nomarchs and Periferia heads are nominated by the central government. Mayors are elected, but there should be little difficulty in obtaining cooperation for the kind of enterprise programs that ETEPAP will promote. Governmental cooperation is important because of the direct help to be obtained in staff, facilities and access to decision-making bodies. There is some local control over historic sites, ports, potential marina locations, etc., and infrastructure planning.

5.11.4. Type of Local Support Groups

An umbrella group which would include all the sub-groups would make ETEPAP's coordinating job easier and indicate a high level of community support for its programs. This is part of the pilot program which needs to be completed at a very early stage.



5.12. **ACTIVITY 12: Development of the Pilot Program for ETEPAP**

This is the main initial core activity for ETEPAP as it combines all the other operating activities and tests the strategy. A separate report will be made on this subject.

5.13. **ACTIVITY 13: Evaluation of ETEPAP's Activities**

An evaluation program, for each of the relevant activities and each of the TPs will have to be developed. A discussion of this core activity is beyond the scope of this report.

## THE PILOT PROGRAM

The last chapters of this report develop the Pilot Program for the testing of ETEPAP's abilities to deliver the services required for both the new entrepreneurs and new enterprises. The discussion of the Pilot Program starts with a more detailed analysis of ETEPAP's activities and then proceeds to suggest Pilot Program Nomoi on the basis of specific criteria.

### 6. NATURE OF THE PILOT PROGRAM

As a special credit institution taking on many of the attributes of a 'venture capital' fund (or investment bank), ETEPAP will need to take a very active part in the development of both the new entrepreneurs to be found in the Target Populations (TPs) as well as the enterprises to be formed.

If ETEPAP looks on the new enterprises solely as a way of subsidizing disadvantaged social groups then it will not be important to develop a Pilot Program to test how well ETEPAP functions in its various activities and sub-programs. This will be because economic viability will cease to be an important criterion for new enterprises and entrepreneurial attitudes will not be a criterion for choosing new entrepreneurs. This will, as a result, lead to the creation of new firms who will generally require a permanent operating subsidy. Since it is unlikely that a permanent subsidy can be made available to these firms, ETEPAP will not fulfill its duty either to the Government or to the new entrepreneurs from the TPs.

On the other hand, if ETEPAP is genuinely to become a vehicle both for the upgrading of the members of the TPs by providing

permanent employment opportunities in their own enterprises, and for the development of the non-metropolitan Nomoi of Greece by concentrating its resources in these areas, ETEPAP will have to first develop the activities discussed in the first five chapters of this report and then test them against the reality of its own capabilities before launching a national program.

The preparation of this portion of the report has benefited from the material in UNIDO's Guidelines on the Integration of Women in UNIDO Technical Co-Operation Projects and in Industrial Studies programmes and Research. Women will need to be members of ETEPAP's staff and directors in order to promote female participation as new entrepreneurs. Special problems of women with families will have to be resolved on a local basis during the Pilot Program.

6.1. ETEAP and Active Democratic Planning (and Implementation)

ETEAP's Target Population Programs (TPPs) should be structured so that they conform to the Government's principles of developing Five-Year Plan projects and programs through a dialogue between the central authorities and the people, as individuals and groups and through the different levels of local and Nomos government. In the previous plan, 1983-1987, the methodology was to ask what the people (as defined above) wanted in their locality and Nomos, and then to adjust these requests largely through the decisions of the central authorities.

The plan now in preparation, 1988-1992, will first present the views and constraints facing the central authorities to the people and then ask them to develop their programs and projects within the given constraints. This is necessary as the country faces a severe Balance of Payments problem necessitating a significant reduction in the Public Sector Borrowing Requirement as a percentage of GDP. On the other hand, the previous plan ran into difficulties precisely because there was so little guidance from the Government with regard to total Nomos expenditures and their allocation among different uses that the Active Democratic Planning 'from below' often turned into no more than a 'wish book', causing a heightening of expectations and a subsequent disappointment.

6.1.1. The New Five-Year Plan, 1988-1992

The preparation for the new plan will provide the kind of guidance necessary so that Active Democratic Planning can be made more efficacious in expressing the needs of the people that can, in fact, be met within the budget restrictions. At the same time an increasing proportion of these expenditures will be at the discretion of Local Government so that implementation will also be more decentralized and democratically controlled.

6.1.2. Role of ETEPAP

Within this new format, ETEPAP is an institution of Active Democratic Planning and Implementation, helping to develop both the people's ideas into viable investment project and helping the people to implement their projects.

ETEPAP should approach the legal form of new enterprises with an open mind, allowing existing investment incentives under Law 1262/1982 to help determine the best form. As mentioned earlier, Law 1262/1982 offers a higher incentive for projects undertaken by returning emigrants, Local Government, and for those taking the legal form of cooperatives. Nonetheless, some members of the TPs may desire other legal forms as being more suitable to their needs. There does appear to be support for joint ventures between Local Government and members of the TPs.

#### 6.2. Target Population Program Modules (TPPMs)

The Pilot Programs for the four Target Populations contain the same activities as discussed in the first five chapters, but these activities are differentiated to meet the specific needs of each TP. The activities are called Target Population Program Modules (TPPMs) as discussed in section 3.3., above. To recapitulate, the idea behind TPPMs is that, on the one hand, it is necessary to tailor the activities to overcome the deficiencies and reinforce the strengths of the TPs, while on the other hand, it is desirable from both cost and efficiency points-of-view to combine TPPMs across Target Populations wherever possible. While cost savings are obvious in that each TPPM would have more users per drachma spent when TPs are combined, increases in efficiency can also result from funds being spent on activities that would not be scheduled if the TPPMs were separated. This would allow ETEPAP to provide a higher level of services where combining TPPMs is feasible.

## 7. PILOT PROGRAM ACTIVITIES FOR YOUTH, WOMEN AND RETURNING EMIGRANTS

This chapter discusses the Pilot Program for youth, women and returning emigrants and the possibilities for sharing Target Population Program Modules (TPPMs). Chapter 8 develops the Pilot Program for Younger Engineers.

The Pilot Program activities discussed in this chapter are the following:

- (1) Definition of the Target Populations.
- (2) Outreach Programs for the TPs.
- (3) Intake Programs for selected members of the TPs.
- (4) Investment project idea evaluation.
- (5) Investment project study preparation.
- (6) Investment project financing.
- (7) Investment project implementation.
- (8) Continuing assistance to operating enterprises.

### 7.1. Definition of Target Populations (TPs)

There are a number of dimensions to the definition of a TP and these are shown in Table 7.1, p. 83, along with preliminary determinations of the appropriate TP definition. The final determination is made by the Ministry of Culture. Opportunities for sharing TPPMs will, in the first instance, be developed on the basis of those TPs with the same or similar defining characteristics. Differences in education and experience need to be taken into account for shared and non-shared TPPMs.

Table-7.1: Defining Characteristics of Target Populations and ETEPAP Activities

Charact.	TPs	Youth	Women	(Potentially) Returning Emigrants	Younger Engineers
1. Age		To be determined.	No specific limitations have been proposed.	All ages.	45 and under.
2. Sex		Both sexes may be included in this TP although TPPMs would have to be split by sex in order to avoid sexist attitudes determining the allocation of ETEPAP's resources.	This TP may include all women, whether youth or not in order to avoid sexist attitudes determining the allocation of ETEPAP's resources. See also the Younger Engineers TP.	No preliminary determination. Female returning emigrants could choose a woman's program.	No separation by sex. Women with appropriate education and/or experience will be in this TP.
3. Education		All levels. Separate TPPMs may be necessary for widely different levels. See Younger Engineers TP.	Same as Youth.	Same as Youth.	Engineers, scientists, technicians and experienced businesspersons.
4. Location of TP		Non-metropolitan areas of Greece.	Same as Youth.	Either residing in a foreign country or recently returned to Greece.	Either residing in Greece or a foreign country.
5. Location of ETEPAP Program for this TP*		Same as location of TP in 4, above, for most activities. Activity 4. Study Preparation, may take place in another location.	Same as Youth.	Outreach and some Intake activities in foreign countries as appropriate. Other activities same as Youth	Outreach activity in foreign countries and nationally. Intake, Idea Evaluation and Study Preparation in Athens.

\*Approximate locations. Certain projects may take a different route.

### 7.1.1. Opportunities for Sharing TPPMs

Table 7.1 indicates the possibilities for sharing TPPMs. With regard to Outreach Programs, youth and women can possibly share, as can returning emigrants and Younger Engineers when located in foreign countries. Returned emigrants can share with youth and women when they also live in non-metropolitan areas. Intake Programs, which are inherently more discriminatory, should be separated for each of the TPs. Project Idea Evaluation is separated on the basis of where it is located rather than by TP. There is considerable opportunity for combining modules for this activity, although an entirely different procedure is proposed for Younger Engineers in Chapter 8. The other three TPs can share this module. Study Preparation, which will often require outside help, may have to be arranged on a project rather than TP basis. This will need to be developed in practice on the basis of the principles of section 5.6., above. Younger Engineers will develop their studies as a separate unit from the other TPs. Project Financing and Implementation are on an individual project basis.

### 7.2. Outreach Programs

The success of the Outreach Programs will determine the success of the ETEPAP effort. It is necessary to attract the most entrepreneurially minded as well as those who possess, in addition, other characteristics required for success.

The keys to a good Outreach Programme have been discussed in sections 5.2., 5.3., and 5.11., above. They are a combination



of making the TPs aware of the opportunities for their self-development within ETEPAP while providing a hospitable climate for new investment by promoting the formation of local support groups in the Nomoi. ETEPAP can test its ability to bring about a hospitable climate which is important if many efforts are to succeed rather than just the odd few.

7.2.1. Awareness Programs for the Potential Entrepreneurs

The first step is the development of an Awareness Program in concert with Nomos and Demos level government, with schools and universities, and with Non-Governmental Organizations (NGOs). Youth programs need to be coordinated with youth groups, and women's programs with women's groups within the Pilot Program localities and Nomoi. The Awareness Program needs to be advertised, to be the subject of meetings and/or seminars. The alternative -- seeking out particular individuals or groups on the basis of hearsay or personal contact -- often leads to a variety of abuses within the program and should not be the general mode of operation.

7.2.2. Project Idea Preparation

Special seminars should be offered on how to prepare a Project Idea for evaluation in order to allow as many potential entrepreneurs to participate as possible. Preparation of an evaluable Project Idea is the first step in ETEPAP's screening process for new enterprises and new entrepreneurs.

7.2.3. Women

Special efforts will have to be made to ensure that the Outreach Program is effective for women. There is no substitute for having women at executive levels in ETEPAP in order to sensitize the organization to the problems faced by women who want to take on unfamiliar societal roles. This is particularly true in the less urbanized areas of the country where ETEPAP is to have its main impact. The UNIDO Guidelines referred to on page 79, above, have a comprehensive set of questions relating to the issues arising from increasing the participation of women in projects and programs. An excellent recent article, M. Buvinic, "Projects for Women in the Third World: Explaining their Misbehavior," World Development, Vol. 14, No. 5 (May 1986), distinguishes between economic vs welfare objectives in the design and implementation of income-generation projects for women. This distinction is an important one for the design of ETEPAP activities for women as economic objectives concentrate on improving existing or imparting new skills with a view to producing marketable goods and services. Welfare objectives are usually associated with improving the supply of services to poor women in their roles as homemakers and mothers. Very often the welfare objectives have supplanted the economic ones in supposedly income-generating projects. ETEPAP needs to guard against this substitution while recognizing that women do have special problems that have to be resolved.

#### 7.2.4. Youth

Depending upon age, youth are likely to have the least working experience, making it more difficult for them to either have or develop Project Ideas. Possibilities may exist for matching older more experienced/<sup>persons</sup>with youth in the formation of new enterprises. Alternatively, projects for youth could be simpler than others in keeping with their knowledge and experience.

#### 7.2.5. (Potentially) Returning Emigrants

The Outreach Program will have to be coordinated through the various organizations of the diaspora. Since there are special problems for those living abroad, the Outreach and Intake Programs will need more coordination, as described in section 7.3.2., below.

#### 7.2.6. Existing Sources of Project Ideas

All TPs should have access to the existing sources of Project Ideas. These are discussed in section 5.4., above.

### 7.3. Intake Programs

The minimum requirement for being accepted into an Intake Program is a Project Idea capable of being evaluated. The preparation of a Project Idea is made part of the Outreach Program, supported by 'how to' seminars in order to reduce the size of the Intake Program and thus make it more manageable within ETEPAP's budget limitation. At the same time, only those people with some minimum level of serious interest in the program are likely to go to the effort of preparing an evaluable Project Idea. A number of categories for the evaluation of Project Ideas are suggested in section 5.5., and sources of Project Ideas are discussed in section 5.4., above. Other categories for evaluation will depend upon

the Project Idea itself, and upon the level of detail needed. The level of detail cannot be fully specified in advance of the Pilot Program. Different levels need to be tried in different test areas. Care should be taken so that the level of detail required does not exclude most of the applicants. A problem is that people who have high entrepreneurial ability may have, for a variety of reasons such as low educational attainment, discriminatory practices, etc., great difficulty in preparing a Project Idea. This again underlines the importance of the Outreach Program described in section 7.2., above.

7.3.1. Potential New Entrepreneur Screening

In addition to screening Project Ideas, potential entrepreneurs should be screened for personality characteristics associated with successful entrepreneurial effort and these characteristics should be taught and reinforced through training. The United Nations Industrial Development Organization (UNIDO), Institutional Infrastructure Branch, has developed programs using Achievement Motivation Training (AMT) which have been used in a number of countries with very good results to train and screen potential entrepreneurs. The aim, in Greece, should be to eliminate the lowest quarter of scorers after a set number of hours of AMT. Potential other users of this technique are EOMEX, ELKEPA and the Secretariat for Equality. It should be possible to share costs of developing AMT in Greece with these other organizations or use them to provide AMT services to ETEPAP's Intake Program.

The result will be a double screening process up to this point. First, only those potential entrepreneurs from the TPs willing to prepare an evaluable Project Idea will be admitted to the Intake Program. Second, potential entrepreneurs will have to at least be in (approximately) the upper three-quarters of their AMT program in order for their Project Ideas to be evaluated, which, in turn, forms the third step in the screening process.

7.3.2. (Potentially) Returning Emigrants

The special problems of the Greek Diaspora, which are the province of one of the secretariats of the Ministry of Culture, may require that at least a portion of the Intake Program be serviced outside of Greece as well as inside. In particular, a special effort should be made to help with Project Ideas formulated abroad on the basis of the experience and knowledge of expatriates but lacking specific information about conditions in Greece. This service, which would help to more clearly define an investment Project Idea, could partially replace the usual expatriates demand that the Government provide projects for choice or appropriate portfolio investments. There are so many programs funded by international organizations and the Government, that it should not be difficult to place this portion of the Intake Program into one of them. For example, a program to help finance small and medium enterprises undertaken by returning emigrants has been proposed to start this year. Other Programs exist for encouraging Nonos level development

(in, for example, N. Pellas, N. Rethymno, N. Samos) and could include intake services, whether abroad or at home.

7.4. Project Idea Evaluation

Project Idea Evaluation is discussed in section 5.5., above.

7.5. Feasibility Study Preparation

Feasibility Study preparation is discussed in section 5.6., above. The necessity for new entrepreneurs to participate in the preparation of the Feasibility Study for their project proposal is one of the activities critical for the success of ETEPAP's efforts.

7.6. Financing for Viable Projects

Financing for viable projects is discussed in section 5.7., above.

7.7. Programs to Implement Investment Projects

Programs to implement investment projects are discussed in section 5.8., above.

7.8. Programs to Provide Continuing Assistance to Operating Enterprises

Programs to provide continuing assistance are discussed in section 5.9., above.

8. PILOT PROGRAM ACTIVITIES FOR YOUNGER ENGINEERS, SCIENTISTS, TECHNICIANS AND EXPERIENCED BUSINESS ORIENTED PERSONS

(This program is referred to as 'Younger Engineers' as its abbreviated title).

The special goals of the Younger Engineers Program are to provide new manufacturing sector enterprises, competitive at the EC level, and utilizing high level engineering, scientific and business skills which, at present, are usually wasted. The emphasis should be on products that are potentially exportable and can be produced with a relatively high proportion of domestic value added. These are not necessarily 'high technology' products although the production processes need to be in the current 'best practice' range.

The key characteristic differentiating this TP from the others is the technical and business education which gives its members the ability to prepare their own Feasibility Studies. That is, the education and experience of this TP are sufficient to fully analyze both the technical and business aspects of their project proposals. In order to prove their capabilities, Younger Engineers will have to provide Opportunity Studies rather than just evaluable Project Ideas as their requirement for entrance into an Intake Program. Since they will complete their own studies, both office space, etc., and salaries will have to be provided by ETEPAP and/or cooperating organizations. This program draws on an earlier UNIDO study entitled "Proposal for a New Enterprise Promotion Program for the Manufacturing Sector", KEPE, 1984-1985, by myself.

8.1. Definition of the Younger Engineers Target Population

This TP includes those individuals who have received a minimum of a university degree in engineering, <sup>natural</sup> /science or other technical fields, or are experienced business persons with demonstrable capabilities. These individuals are assumed to be capable of preparing a complete Feasibility Study for an investment project of their own choosing. Individuals may cooperate in order to pool their skills. It is particularly desirable for a proposal to originate with people possessing both technical and business skills. Members of this TP may reside in Greece or abroad. As a result, the Outreach Program must be directed at the diaspora as well. Since there is no separation of this TP by sex, there will be only one set of activities.

It is suggested that the range be 45 years of age or younger, but older persons can be admitted if they possess special qualifications. The critical difference between this TP and the other three is the ability of the Younger Engineers to be self-sufficient in preparing their Feasibility Study. It is not assumed that the Younger Engineers group as a whole initially possesses the necessary business background to successfully operate a new enterprise. Part of the program for this TP will be a lengthy management training course, discussed below. On the other hand, the Younger Engineers program could also attempt to match technical <sup>with business expertise</sup> expertise/as part of its approach to developing viable businesses.



## 8.2. Outreach, Intake, Opportunity Study Evaluation and Feasibility Study Preparation Programs

Since a portion of this TP lives abroad, the Outreach Program will have to be coordinated through organizations of the diaspora in a way similar to that for the (potentially) returning emigrants. The fundamental difference between the Outreach Program for the Younger Engineers is that it is in the form of a contest with the winners being admitted to a special program where they prepare the Feasibility Studies for their own project proposals with a view to implementing those found viable. That is, the Outreach Program promises a Financial Award to those contest entrants whose submissions -- which consist of Opportunity Studies for specific projects -- are judged to be potentially viable by a panel of evaluators. The Financial Award Program replaces the Outreach, Evaluation, Intake and Feasibility Study Preparation Programs of the other TPs.

## 8.3. The Financial Awards Program

The goal of the Financial Awards Program is to both find persons capable of developing an investment project from an idea through start-up and continuing operation, and to identify potentially viable investment projects. In order to develop this program, a separate administrative unit will have to be set up, most likely in cooperation with ETVA or EOMMEX and office space, etc., provided so that award recipients can prepare their Feasibility Studies.

The elements of the Financial Award Program are the following;

- (1) Definition of the requirements for receiving a Financial Award.
- (2) The value and number of Financial Awards.
- (3) Criteria for the choice of award recipients.
- (4) Evaluation of Opportunity Studies and Project Originators.
- (5) Definition of the Feasibility Study work program and the work-in-progress review.
- (6) Final Evaluation of Feasibility Studies.

#### 8.3.1. Definition of the Requirements for Receiving a Financial Award

The requirement for entering the contest to receive a Financial Award is based on two criteria. The first is the submission of an Opportunity Study for an investment project. (For a discussion of the various levels of project studies, see UNIDO. Manual for the Preparation of Industrial Feasibility Studies, United Nations, New York, 1978). The opportunity Study referred to here is less than a Pre-Feasibility Study and more than a descriptive survey. ETEPAP will have to define the exact depth of knowledge that the study should exhibit, but an understanding of markets as well as inputs and technology needs to be clearly shown.

##### 8.3.1.1. Project Originators

The individual(s) preparing the Opportunity Study are designated Project Originators and it is expected that they have contributed in a substantive way to

the preparation of the study. The second criterion for an award is that an individual must be a Project Originator. This prevents awards being given to individuals who have paid others to do the study. The aim is to bring into the program those individuals who have, at a minimum, the technical capacities and the potential to learn how to be business managers as well. Another way of handling this situation is to have the Financial Awards program match technical and business persons as a prerequisite for receiving an award. This last is open to abuse and needs to be carefully and correctly done.

The preparation and submission of the Opportunity Study by the Project Originators are the criteria for participation in the contest to receive a Financial Award.

8.3.2. The Value and Number of Financial Awards

There has to be some minimum number of awards in order to attract entries. The same holds true for the size of the awards. They should provide for salaries for all the Project Originators and a sum sufficient to cover other costs of preparing a Feasibility Study including purchase of materials, etc.,/travel where necessary. The award provides for free office space, telephone, telex, secretarial, computer and other office services in Athens. This program does not fund the construction of prototype machinery or equipment. The Ministry of Industry has a separate program for this purpose. The goods to be manufactured in the Younger Engineers Program are not expected to require prototypes in the sense of complex machines whose production in

Greece is still at issue. I am thinking of the funding to build a CNC lathe and other machinery of approximately this level of complexity in the prototype program. Rather, the aim of the Younger Engineers Program is to manufacture goods to a high standard with excellent quality control and machinery appropriate to Greece's factor prices and EC competition. The goods should not be overly complex and should be only slightly differentiated from the same products produced elsewhere. Domestic subcontracting should be the preferred method of sourcing parts, components, etc., in order to reduce the project's capital costs and maximize domestic linkages. However, neither concern should be allowed to override the principle that the project's economic viability is the criterion for implementation.

8.3.2.1. Number of Financial Awards

In order to provoke interest in the program, the sponsoring institution, ETEPAP (and partners such as ECOMMEX and ETVA), should offer a minimum of six (6) awards but reserve the right to increase that number if more awards are merited by the Opportunity Studies and the quality of the Project Originators.

8.3.2.2. Value of Financial Awards

Financial Awards are given for a maximum of two years. The value of a Financial Award will vary according to the number of Project Originators' salaries to be paid over a maximum of two years.

Salaries paid should depend upon the previous position of the award winners. If they worked in the public or private sectors in Greece, they should be paid according to their previous salaries augmented by the cost-of-living adjustments as given to the public sector. Public sector employees should be transferred into the awards program without losing the right to their existing job for the award period. Private sector employees will have to make their own arrangements. The unemployed or persons originating abroad should receive the same pay as warranted by their education and experience for a position at ETVA or EOMMEX. All fringe benefits should be in the salary package. The cost is likely to be around 1.5-2.0 million drachmas per annum per Project Originator. The amount in excess of salaries, to be used for expenses as suggested in section 8.2.3., above, should be at least 2 million drachmas, and subject to negotiation if that amount is exceeded.

This suggests a Financial Award of about 8-10 million drachmas maximum for two Project Originators over a two year period. Since the award recipients will be encouraged to finish their Feasibility Study as quickly as possible, the amount spent may be less. For those who live abroad, the award can include some or all of moving costs for the award recipient and his/her family. This would raise the cost of the award but it would make it far more attractive to Greeks abroad. Another alternative is not to require that all the work be done in Greece for

those who presently live abroad. This would be cheaper than paying moving costs but runs against the grain of the program which seeks to locate more and more technical competence in Greece.

8.3.3. Criteria for the Choice of Financial Award Recipient

The criteria for choosing among the Opportunity Studies and Project Originators to determine those who will receive a Financial Award are the following:

- (1) The person must be a citizen of Greece. If the 'person' is a corporation, etc., it must be wholly owned by citizens of Greece.
- (2) The persons receiving salaries must either be Project Originators or a person of particular qualifications added to a group with the Project Originators approval. These persons have all the rights and responsibilities of Project Originators. Persons may not be forced on potential award recipients as a precondition for receiving an award. On the other hand, the contest rules should make clear that an Opportunity Study's Project Originators must show some competence or the ability to gain that competence quickly in both technical and business areas. This program should not be open to recent university graduates with little or no experience. Those with advanced degrees and/or valid experience should be encouraged. A recent ETVA program -- The Creative Call -- seeks experienced business persons to implement Feasibility Studies prepared by ETVA. These individuals can

take the entire equity or a part with the remainder available on a buyout basis from ETVA. Essentially this requires ETVA to 'pick the winners', prepare high quality studies, and also assumes a certain malleability among businesspersons with respect to projects.

(3) The main criterion for the Financial Award is the potential financial viability of the project as developed in the Opportunity Study. Financial viability is defined as for any private sector project and includes the expected competitiveness of the new enterprise within the context of the European Community.

(4) Financial Award recipients will be determined by the Award Screening Committee as discussed in section 8.3.4., below.

8.3.4. Evaluation of Opportunity Studies and Project Originators by Award Screening Committees

Award Screening Committees will be established in order to assess the Opportunity Studies and Project Originators, and make the awards. The committees can request that Project originators be interviewed or tested using Achievement Motivation Techniques. The Younger Engineers with whom I have spoken have suggested that the committees be composed of businesspersons, bankers and others fully conversant with the requirements for developing a successful enterprise. Technical screening should be done,

where possible, by competent persons from the Technical Chambers. As a general case, academics should be excluded from the committees unless they have demonstrated expertise that is absolutely necessary. This is because the Younger Engineers feel that it is the business orientation that is important to the success of their projects.

The Award Screening Committees can also serve to judge the completed Feasibility Studies in all their dimensions. Since both the initial screening and judgement of the Feasibility Studies entails considerable work, the members of the committees should be paid for their efforts.

#### 8.3.5. Definition of the Feasibility Study Work Program

The administrative unit set up to facilitate and monitor the Financial Awards Program will require office space, staff, furniture and equipment and services such as communications, etc. All Project Originators must work at the location specified by the administrative unit unless they are specifically excused from working there on a full-time basis. Award recipients can be excused from full-time work at the location specified if, for example, they live abroad and wish to complete part of the study there or for other reasons acceptable to the administrative unit. In any event, payment is only in drachmas, except where other currencies are required for the purchase of materials or services such as information, transportation and other necessary expenses. Some aspects of this have already been discussed in section 8.3.2.2., above.



8.3.5.1. Feasibility Study Work Program and Work-in-Progress Review

The Financial Award is for a maximum of two years work preparing the Feasibility Study. The period starts when office space, etc., and money for salaries becomes available.

The Project Originators will be required to prepare a time schedule for their work and a budget indicating expected expenses on a quarterly basis. The administrative unit will then monitor the work-in-progress and the actual expense to budget estimate. A formal work-in-progress review will be conducted every six months by the administrative unit and a review committee which may be the same as the Award Screening Committee. The aim of the review will be to assess progress and to speed the work along. Although two years are allotted to the study, most should require considerably less time, especially since Project Originators are working full-time on familiar material and prototype construction is not a necessity. Unsatisfactory progress can result in the termination of the Financial Award.

8.3.5.2. Management Training

Since the projects of the Younger Engineers are expected to be more complex than those of the other TPs and since the new firms are expected to be competitive at the European level, a management training program will be necessary for those Project

Originators who do not possess considerable business experience. It is suggested that this program be one year in duration in order to avoid an intensive effort which would conflict with the preparation of the Feasibility Study. However, the training will take place during the preparation of the Feasibility Study. The backgrounds of those Project Originators who remain abroad will have to be sufficiently strong in management so that they can be excused from training. The training program should contain Achievement Motivation Training, as discussed in section 3.2. and 5.3.1., above. This is intended to reinforce entrepreneurial characteristics in the personalities of the Project Originators. The other parts of the training program should develop the abilities of the Project Originators with respect to the business aspects of the Feasibility Study and new enterprise operations. EOMMEX is currently testing its own new entrepreneurs program and ELKEPA has experience in management training. Current English practice, described in section 5.3.3.3., above, is to provide full-time intensive educational programme of 6-16 weeks duration at a Business School. This period often includes preparation of new enterprise studies.

8.3.6. Evaluation of Feasibility Studies

The completed Feasibility Studies are evaluated by a committee which may be the same as the Award Screening Committee of section 8.3.4., above. The only criterion is the expected financial viability of the new enterprise. The overall competitiveness and scale of operations must assure survival when the new enterprise is exposed to competition within the harmonized EC. The Financial Award is terminated after the Feasibility Study has been judged. If the project is judged non-viable, both the study and the Project Originators exit from any further efforts. In either event, the Feasibility Study belongs to the Project Originators.

8.3.7. Viable Projects

If the Feasibility Study indicates a viable project, both the project and Project Originators are continued in a new program. In any event, provision must be made to pay the salaries and expenses of Project Originators while financing, described in section 5.7. above, for project implementation is secured under Law 1262/1982.

8.3.8. Annual Financial Awards

The Financial Awards will be given on an annual basis in order to develop a stream of new viable manufacturing sector projects.

## 9. CHOOSING NOMOI FOR THE PILOT PROGRAM

The objectives for ETEPAP in Chapter 1, above, indicate that it is Government policy to assist the TPs in areas away from the metropolitan centers of Greece and toward the second and third rank cities and their hinterlands. The locus of effort is the smaller urban area and its semi-urban and rural hinterland. Since data are very sparse for areal units at lower than the level of the Nomos (with the exception of the Census of Population), this part of the report represents a preliminary analysis of the way in which Nomoi (Prefectures) for the Pilot Program may be chosen. The methodology follows section 2.3. and 2.4., above, in terms of strategy. The statistical database is used to make a preliminary choice of those Nomoi having the highest probability of usefully absorbing ETEPAP's programs consistent with the preference for non-metropolitan development. Unfortunately, it was not possible to visit the most promising Nomoi as suggested in my workplan.

### 9.1. Statistical Database

A Nomos-level statistical database has been established by Dr. Z. Georganta at KEPE. This database includes income by type and employment by sector for each Nomos for the years 1961, 1971 and 1981 with some additional data for other years. The employment data is broken down by 11 sectors of economic activity and has been used to develop Location Quotients and a Shift-Share analysis of changes in economic structure and development potential for each Nomos. The income data has been used for comparative purposes.

In addition to this material, the work of others in analyzing the relative socio-economic position of Nomos has been taken into account. The data presented here have been summarized into four tables for ease of discussion. The tables are at the end of this chapter.

### 9.1.1. Location Quotients (LQ)

Location Quotients (LQ) are a device for measuring the relative specialization of a region in selected economic activities. Employment is used here as the variable. (Other measures such as value added can be used).

Employment in a selected area of economic activity is related to total employment both for the region and for nation as a whole. The findings are compared as a quotient which allows quick comparison of the relative degree of 'specialization' of the region with respect to the nation. The Location Quotient is calculated as follows:

LQ = Location Quotient

$e_i$  = Nomos employment in industry 'i'

$e$  = Total Nomos employment

$E_i$  = National employment in industry 'i'

$E$  = Total national employment

For a given region at a point in time (1961, 1971 and 1981 are the years used for analysis):

$$LQ = \frac{\frac{e_i}{e} \text{ Proportion of regional (Nomos) employment in industry 'i'}}{\frac{E_i}{E} \text{ Proportion of national employment in industry 'i'}}$$

- (1) If the  $LQ < 1$ , the region does not possess industry 'i' in as large a proportion as the nation. Then that region does not attract that industry. That is, industry 'i' is an import industry for that region or the region does not specialize in industry 'i' relative to the nation.
- (2) If the  $LQ > 1$ , then the region does attract the industry. That is, industry 'i' is an export industry for that region or the region specializes in industry 'i' relative to the nation.
- (3) If the  $LQ = 1$ , the region does not differ from the nation. The nation always has an  $LQ = 1$ .

Location Quotients are shown for 1961, 1971 and 1981 for the three major sectors: agriculture; industry (which includes mining, manufacturing, construction and electricity, etc.); and services in Table 9.2.

Manufacturing, a subsector of industry is also shown as ETEPAP aims particularly to promote new manufacturing enterprises.

### 9.1.2. Shift-Share Analysis

Shift-Share analysis views the change in regional employment (or other variables) relative to the change in national employment over a time period as the net of three 'effects' or 'shares'. The first effect or share, the national share (NS), reflects the impact on the region of the change in total national employment. The second effect or share, the industry mix (IM) in the region, is determined by the distribution of regional employment among higher and lower growth industries, relative to the industry mix at the national level. The third effect or share, the regional shift (RS), defines the changing regional shares of total national employment in each industry.

Thus, where TR is the change in total regional employment:  
 $TR = NS + IM + RS$  by definition.

For a discussion of this analysis, see:

- (1) Richardson, H.W., Regional Economics. New York: Praeger, 1969.
- (2) Paraskevopoulos, C.C., "Patterns of Regional Economic Growth," Regional and Urban Economics, Vol. 4, 1974, pp. 77-105.
- (3) Stevens, B.H. and C.L. Moore, "A Critical Review of the literature on Shift-Share as a forecasting Technique," Journal of Regional Science, Vol. 20, No. 4, November 1980, pp. 419-437. The defining equations have been taken from this article.

The Period 1971-1981 is analyzed in this paper.

The elements of Shift-Share are calculated as follows:

$e_i$  = Nomos employment in industry 'i'

$e$  = Total Nomos employment

$E_i$  = National employment in industry 'i'

$E$  = Total national employment

$t$  = Time index

$NS_i$  = National share of change in employment in industry 'i'

$IM_i$  = Industry-Mix effect on change in employment in industry 'i'

$RS_i$  = Regional shift effect on change in employment in industry 'i'

$TR_i$  = Total change in employment in industry 'i'.

=  $NS_i + IM_i + RS_i$  by definition

(1) National Share (NS)

$$NS_i = e_i^{t-1} \left[ \left( \frac{E^t}{E^{t-1}} \right) - 1 \right]$$

This is the change in the number of employed expected in industry 'i' in the Nomos if the industry were to grow at the same rate regionally as the national average of all industries. Where total national employment has increased during the period as it did for Greece during the 1971-1981 period, the sign of the NS will be positive for all Nomoi.

(2) Industry-Mix (IM)

$$IM_i = e_i^{t-1} \left[ \left( \frac{E_i^t}{E_i^{t-1}} \right) - \left( \frac{E^t}{E^{t-1}} \right) \right]$$

This is the change in the number of expected employed in industry 'i' in the Nomos accounted for by the



difference between the growth of industry 'i' at the national level and the national average growth rate for all industries (NS). The IM asks whether the Nomos has a rapidly or slowly growing industrial mix (or distribution) of industries. The sign of the IM varies from Nomos to Nomos and from industry to industry. The IM focuses on the forces affecting the composition of output at the national level. Changes in productivity on the supply side cause resource transfers from low to high productivity sectors. Income elasticities on the demand side reinforce (or codetermine) these trends. Each region can then be analyzed to determine its advantages or disadvantages for the national fast-growing or slow-growing industries.

(3) Regional Shift (RS)

$$RS_i = e_i^{t-1} \left[ (e_i^t / e_i^{t-1}) - (E_i^t / E_i^{t-1}) \right]$$

This is the change in the number of expected employed in industry 'i' based on the differential between the growth of industry 'i' in the Nomos and the growth of industry 'i' in the nation. This indicates how the Nomos growth pattern differs from the national growth pattern in the industry. The RS asks whether the Nomos is increasing its share of each of its industries. RS may be either positive or negative. It is linked to location theory which suggests that growth in regional output is directly related to:

- (1) access to markets for the output of specific industries; and
- (2) access at competitive prices to factors of production.

Frequently, changes in infrastructure have a significant effect on the sign

of RS as they affect both market and factor access. Table 9.3 shows the signs for the three components of Shift-Share and the total for the sum of all sectors for each Nomos for the period 1971-1981. Table 9.4 shows the signs for industry (mining, manufacturing, construction, and electricity, etc.) and the manufacturing subsector for the same period. Column 5 of Table 9.3 and column 10 of Table 9.1 show the Shift-Share category of each Nomos, the meaning of which will be discussed below.

9.1.3. Shift-Share Category of Nomos

A categorization of regions (Nomoi) has been developed by Paraskevopoulos, op. cit., based on the signs of the Industry-Mix and Regional Shift components of Shift-Share. It should be remembered that the NS has the same sign, positive or negative, for all regions during a specific time period. The categorization will be used -- in a free way -- to explain differences among the Nomoi in level and trajectory of development. The four categories are:

<u>Category of NOMOS</u>	<u>Sign of Industry-Mix</u>	<u>Sign of Regional Shift</u>
1	+	+
2	+	-
3	-	+
4	-	-

Category 1: This category has both a favorable industrial composition as shown by the sign of the Industrial-Mix (IM) effect and also possesses locational advantages as shown

by the sign of the Regional Shift (RS). These Nomoi tend to have a high rate of growth relative to the rest of the country, and their locational conditions are likely to favor the realization of agglomeration economies. Fast-growing industries locate in these regions, which can differ significantly in population size. Few areas of this type are expected. Only N. Thessaloniki, N. Doiokeanosos, N. Achaia and N. Magnesia are in this category.

Category 2: This category is composed of areas gaining industrial employment because of a favorable composition of fast-growing industries (IM) but losing industrial employment from the slowly growing or declining industries (RS). The pattern is typical of large population areas which can still attract growth industries but where there are bottlenecks such as a lack of available floor space, high wage levels, etc., or governmental policies/restrictions hampering the other industries. These areas are continuously spinning off the slow-growth or declining industries to other regions, mainly those in category 3. Only N. Attiki belongs in this category for Greece. Regional growth can only be sustained if the gains from exploitation of new national or international markets offset the losses due to industrial decentralization.

Category 3: The areas in this category have an unfavorable industrial composition (IM), but they are acquiring the slower growing or declining industries (RS). These are often called 'intermediate regions' whose locational conditions are favorable enough so that they benefit from the spread effects occurring in category 2 (or sometimes category 1) regions. N. Korinthia in relation to N. Attiki (and possible N. Achaia) and N. Kilkis in relation to N. Thessaloniki are examples of these spread effects for the manufacturing sector, see Table 9.4. See Table 9.2 for the rise in the Location Quotients (LQ) for the manufacturing sector for those Nomoi located at the fringe of national core areas. This category has many Nomoi that would be appropriate for ETEPAP's Pilot Program.

Category 4: Regions in this category are felt to be losing on both the grounds of IM and RS because the locational conditions are so unfavorable that neither growth industries nor spin-offs are likely to be attracted to these areas. They have unpromising development prospects and both sectoral (IM) and locational (RS) policies are necessary to reverse their decline. They may have low-wage labor, but it will be low skill as well. A recent study of this type of area in the U.K. indicates that Paraskevopoulos' conjecture that slowly growing or declining industries may be attracted

if there is sufficient trainable cheap labor is borne out. (see D. Massey, Spatial Divisions of Labor, London: MacMillan, 1984).

In spite of being in category 4 for all industry and having a high per capita income, N. Boetia is receiving spread effects from N. Attiki for the industrial sector and the manufacturing subsector where it is in category 1. Table 9.2 further bears this out, as N. Boetia has rising LQs for the industrial and manufacturing sectors and falling LQs for agriculture and services.

#### 9.1.4. A Comparative Analysis

The use of Location Quotients and Shift-Share analysis has been supplemented by comparing the results of these two methods with a recent and much more detailed study undertaken by Dr. P. Kavvadias of KEPE. This study, which is in its final pre-publication stage, is entitled "Indices of Regional Development of Greece", KEPE, 1986. It utilizes a method of constructing synthetic variables by a weighting of naturally defined variables. Table 9.1 provides a ranking by Nomos for the five synthetic variables (columns 2-6) and a combined weighted average of these (column 1). The Nomoi are listed, in all tables, according to their rank in the combined Categories variable (column 1 of Table 9.1).

## 9.2. Analysis of Nomoi

Table 9.1. defines four groups of Nomoi (according to P. Kavvadias, section 9.1.4., above). They are: (1) three highly developed Nomoi; (2) eleven dynamic Nomoi; (3) eighteen slowly developing Nomoi; and (4) nineteen problematic Nomoi. Problematic Nomoi have generally been excluded from consideration for the Pilot Program, but see section 9.2.4., below, for exceptions.

### 9.2.1. Highly Developed Nomoi

Both the analyses by indices of regional development and on Table 9.1 Homos Shift-Share Categories (SSC)/agree that these three Nomoi are developed. N. Attiki is the only SSC 2 Nomos for Greece indicating that it is a (relatively) older industrial area which is suffering from agglomeration diseconomies for slowly growing or declining industries. Both Thessaloniki and N. Dodokanesos are SSC 1 with very favorable growth prospects on the basis of both IM and RS. The Dodokanesos are not manufacturing intensive but N. Thessaloniki is according to the LQ, Table 9.2. It is not likely that ETEPAP will want to develop its Pilot Program in the two most populous Nomoi in Greece, N. Attiki or N. Thessaloniki, nor in such a fast growing tourist area as N. Dodokanesos.

### 9.2.2. Dynamic Nomoi

11 Nomoi are characterised as dynamic according to the regional indices: two, N. Achaia and N. Magnesia are in SSC 1; five, N. Imathia, N. Evia, N. Iraklion, N. Larisa and N. Korinthia are in SSC 3; and four, N. Korani,

N. Boetia, N. Kavala and N. Corfu are in SSC 4. This constitutes considerable disagreement among the measures of development. For SSC 4, N. Kozani, N. Boetia and N. Corfu have all seen an absolute decline in total employment for the 1971-1981 period. For N. Kavala, the NS growth is large enough to offset a poor industrial-mix and a negative regional shift. However, of these four SSC 4 Nomoi, all have a positive IM for the industrial sector and only N. Corfu has a negative RS for the industrial sector and manufacturing subsector (Tables 9.3 and 9.4). N. Boetia has the second highest and N. Kozani the third highest per capita private national income.

Those Nomoi in SSC 3, N. Imathia, N. Evia, N. Iraklion, N. Larisa and N. Korinthia, all show positive IM and RS values for the industrial sector and manufacturing subsector with the exception of N. Iraklion which has a negative RS for manufacturing. This suggests, that with the exception of N. Iraklion, the other Nomoi are all candidates for inclusion in the Pilot Program. Considering their high degree of urbanization, both N. Iraklion and N. Larisa would be inappropriate. Considering the LQs of Table 9.4, N. Imathia and N. Evia have seen a steady increase in the relative importance of their manufacturing subsectors, the first due to its proximity to N. Thessaloniki and the second its proximity to N. Attiki. N. Korinthia has had only a modest increase in manufacturing relative to the rest of the nation.

Assuming that ETEPAP would not want to test its operations in SSC 1 Nomoi, among the 'dynamic Nomoi', those most suitable are N. Imathia; N. Evia and N. Korinthia. These may be considered 'intermediate' regions located at the fringe of national core areas.

9.2.3. Slowly Developing Nomoi

There are 18 Nomoi in this category and several are candidates for the Pilot Program. The following are omitted either because they are in SSC 4 or because they exhibit negative characteristics in terms of their signs for IM and RS for the industrial sector and/or manufacturing subsector in Table 9.4 or because of low LQs in Table 9.2. They are N. Chalkidiki, N. Chanea, N. Yanina, N. Kyklades, N. Argolis and N. Chios.

Although both N. Lasithi and N. Phokis have some negative characteristics, they are retained for further consideration. The most promising Nomoi in this group are N. Piera, N. Xanthi, N. Florina, N. Phthiotis, N. Pella, N. Arkadia, N. Drama, N. Zante and N. Evros.

9.2.4. Western Greece and the Eastern Aegean Islands

The suggestions for Nomoi suitable for ETEPAP's Pilot Program do not include any from the west of Greece. This is because all, with the exception of N. Corfu and N. Yanina are classed as problematic. In order not to exclude this area from consideration, one or more Nomoi may be added to the list of possibles. It is suggested that N. Yanina, N. Thesprotia and N. Preveza be considered.



N. Samos, N. Lesbos and N. Chios could be considered if it is necessary to include a western Aegean Island in the Pilot Program. Significant work with returning emigrants has already taken place on these islands.

9.2.5. Other Considerations

Nomoi cannot be chosen for the Pilot Program without making an on-the-spot investigation of conditions there. Many agricultural Nomoi have experienced large increases in income as a result of the EC Common Agricultural Program and this may have significantly improved their development potential since 1981. Potential agro-industry projects, which would not appear in the statistics shown on Tables 9.1-9.4, should be an important part of the analysis for any Nomos.

It is also important to investigate the potential for local support groups as discussed in section 5.11., above, and to determine the extent of existing infrastructure facilitating new entrepreneurs and new enterprises. Since some of the TPs will have to be extensively served on a local basis, the existence of premises and locally based services (such as EOMMEX) should have an important effect on the choice of Nomoi for the Pilot Program.

Two or three Nomoi should be selected for the Pilot Program based on the suggestions in sections 9.2.2.-9.2.5.

TO : Mr. George Papandreou, Deputy Minister of Culture  
FROM : Richard Lissak  
SUBJECT : Substantive and Administrative Issues Regarding  
the Pre-start and Start-up Phases of The Company  
for the Support of Productive Initiatives of Younger  
People (ETEPAP)  
DATE : 17 December 1986

This memorandum is intended to assist in the definition of ETEPAP as an organization and to prepare for both its pre-start and start-up phases.

I. SUBSTANTIVE ISSUES

1. Objectives of ETEPAP

- a. To break existing financial and institutional constraints hampering the movement from productive investment project ideas to viable new enterprises.
- b. To widen and deepen Active Democratic Planning by increasing the range of opportunities available to (potentially) entrepreneurially active youth, women, returning migrants, and younger engineers, scientists, technical and experienced business oriented persons to develop and operate their own productive enterprises.
- c. To stimulate employment opportunities via small and medium-sized enterprise creation.
- d. To help to establish new enterprises that will not require an operating subsidy in the shortest possible time.

- e. To aid in the restructuring of national industry from both a regional and sectoral point-of-view.
- f. To create a more hospitable climate for new investment from any source.

2. Main ETEPAP Activities: Other institutions may participate

- a. Entrepreneurship development through identification and training of entrepreneurially oriented individuals and groups from target populations.
- b. Creation of an institutional environment ensuring participation of potential entrepreneurs from target populations in the generation of investment project studies.
- c. Evaluation of investment project studies.
- d. Financing, co-financing, promotion, etc., of those investment projects deemed viable.
- e. Advising investment project generation, implementation, start-up, continuing operations, etc.

3. What are the priorities among the target populations?

- a. Youth
- b. Women
- c. Migrants: 1987 is the 'Year of the Emigrant'
- d. Younger engineers, scientists, technical and experienced business oriented persons.

4. Are there regional priorities?

5. Are there intra-regional priorities (e.g., urban-rural, etc.)?

## II. ADMINISTRATIVE ISSUES

1. What is the Current Status of ETEPAP? (See attached memorandum "Suggested Composition of the ETEPAP Governing Council")
  - a. Charter and Incorporation
  - b. Board of Directors
  - c. President
  - d. Managing Director
  - e. Recommended Staff at Start-up
    1. Directors (4) and Deputy Directors (4)
      - a. Youth
      - b. Women
      - c. Migrants
      - d. Younger engineers, etc.
    2. Other
      - a. Accountant (1)
      - b. Assistants (4)
      - c. Secretaries (3)
  - f. Budget
  
2. Ministry of Culture Personnel Required During Pre-start Phase of ETEPAP
  - a. Counterpart to UNIDO expert
  - b. Target Population Experts (3). Two for each population.
  - c. Assistant to UNIDO expert
  - d. Bilingual secretary
  - e. Informatics assistance

3. Other Assistance Required

- a. KEPE personnel assigned to the Migrant Project have already computerized some survey results. I would like to use their ability to computerize and analyze other data on migrants.

4. Who is the senior person at the Ministry responsible for the day-to-day operations of this project?

TO : ETEPAP Project Participants  
FROM : Richard Lissak  
SUBJECT : A Program for the Development of The Company for  
the Support of Production Initiatives of Younger  
People (ETEPAP)  
DATE : January 1987

The purpose of this memorandum is to acquaint Project Participants with the objectives and priorities of ETEPAP, its expected range of activities and the initial tasks to be fulfilled during the current pre-start phase of ETEPAP. The Minister has approved the objectives and priorities which are discussed in sections 1 and 2, below.

#### Background to ETEPAP

One of the main elements of the Government's development strategy is the promotion of increased participation by all groups in the economic and social life of the country. The strategic goal of ETEPAP is the creation of new viable business enterprises by members of groups (target populations) under-represented in the economic life of the country. The target populations are youth, women, returning emigrants, and younger engineers, scientists, technicians and experienced business oriented persons.

The Five-Year Plan, 1983-1987, was created through the mechanism of Active Democratic planning, a method of developing plan possibilities from-the-bottom-up and then agreeing the plan through an iterative process between Nomial Planning Councils on the one hand, and the periferial and central authorities on the other. A major problem of the 1983-1987 Plan was the lack of

productive investment projects.

The Government is now faced with a severe and urgent problem as the level of private investment has fallen steadily since its previous cyclical peak in 1979. A stabilization program was launched in 1985 to correct a chronic deficit in the current account of the Balance of Payments, and unemployment, particularly among youth and younger professionals, is rising. The Labor Force Participation Rate for women is very low compared with Western Europe and North America depriving the country of their energy and imagination in productive activity. Changes in the economic structure of several Western European countries have resulted in a 'surplus' of Greek guest workers and, at the same time, the Government would like to take advantage of the skills acquired by Greeks who have worked abroad. This can only be effected through a program that facilitates the return and reintegration of emigrants. It is the aim of the Government to at least partially resolve these problems by broadening the opportunities available to the targeted groups within the process of Active Democratic Planning, by the creation of ETEPAP.

The role of ETEPAP is to act first as an outreach organization, informing the target populations of the new opportunities available, second, to facilitate the development of those productive investment project ideas deemed potentially viable, and finally to either finance with its own funds certain projects and/or help find financing from other public or private institutions. That is, ETEPAP is designed to have an impact in the stages of project development prior to those affected by the usual incentive

programs. Post-investment follow-up services will also be provided.

The work program in this memorandum covers a portion of the pre-start phase of ETEPAP. Outreach and screening aspects of ETEPAP will be tested in a pilot program in several locations before the national program is implemented. A part of this pre-start phase will be the choice of these locations. ETEPAP is expected to begin program testing in May 1987.

ETEPAP, which will be a private company, has been formed by the General Secretariats of Youth, the Greek Diaspora and Popular Education of the Ministry of Culture, the Hellenic Industrial Development Bank of the Ministry of Industry, Energy and Technology, and the Ministry of National Economy. The Ministry of Culture has taken the lead in ETEPAP's formation. ETEPAP's charter has been completed and its staff is being recruited. During this formative period, the Ministry of Culture will provide support in terms of staff, space and other necessary items.



1. Objectives of ETEPAP

The objectives are listed in hierarchical order, with the controlling objective first, etc.

- 1.1. To break existing financial and institutional constraints hampering the movement from productive investment project ideas to viable new enterprises. An enterprise is viable if it meets market criteria for profitability. New enterprises may be in the primary, secondary or tertiary sectors.
- 1.2. To widen and deepen Active Democratic planning by increasing the range of opportunities available to (potentially) entrepreneurially active youth, women, returning emigrants, and younger engineers, scientists, technical, and experienced business oriented persons to develop and operate their own productive enterprises.
- 1.3. To stimulate employment opportunities via small and medium-sized enterprise creation.
- 1.4. To help to establish new enterprises that will not require an operating subsidy in the shortest possible time.
- 1.5. To aid in the restructuring of national industry from both a regional and sectoral point-of-view.
- 1.6. To create a more hospitable climate for new investment from any source.

## 2. Priorities Within ETEPAP

The priorities, within categories, are listed in hierarchical order, with the most important first, etc.

### 2.1. Target Population Priorities

These priorities relate more to the timing of the programs rather than indicating a clear preference for one group over another. Since ETEPAP will test its programs in several locations, it may be desirable to introduce programs jointly rather than separately in order to reduce the time and cost of testing.

The target populations are not mutually exclusive. Although they obviously overlap in membership, each population has been defined with certain characteristics so that individuals and groups with project ideas will self-select their program entry point. It is expected that investment project types and sizes will vary among the target populations in a way related to their defining characteristics.

#### 2.1.1. Youth

Youth are broadly defined as those individuals from 18 to 45 years of age. Although both females and males may be included in this group, care has to be taken to ensure that females have access to the full range of ETEPAP's services. For this and other reasons related to discriminatory practices and attitudes, young women may elect not to enter the women's program. Two key characteristics of youth are inexperience and the inability to prepare their own project feasibility studies.

### 2.1.2. Women

There is no specific age limitation for women. This group is likely to have the least acquaintance with business ideas and experience with business practices. They are likely to have more difficulty developing project ideas that are potentially viable than other target populations. The ETEPAP program for women will have to overcome these initial barriers. If young women select themselves into this program it may be due either an expectation of discriminatory practices in the youth program and/or the feeling that it is likely to be more difficult to compete in a program with large numbers of men.

### 2.1.3. Returning emigrants

There is no specific age limitation for this group. Returning emigrants are likely to have considerable work experience, both from domestic and foreign employment, to be self-supporting, acquainted with business practices, and often have their own project ideas. Whether male or female, the ETEPAP program will have to take account of the many adjustment problems facing individuals and families returning to their home country after years abroad. There is a wealth of descriptive and analytic material available from the Government's migration study.

2.1.4. Younger engineers, scientists, technical and experienced business oriented persons

There is no specific age limitation for this group although it is expected that most entrants will be from 25 to 50 years of age. The defining characteristic of this group is the ability to prepare a full project feasibility study without significant outside help. That is, the educational attainment and work experience of this group is considerably greater than any of the other target populations. Males and females will participate, and it is hoped that Greeks abroad will also enter. There is a draft program (R. Lissak: Proposal For a 'New Enterprise Promotion Program' for the Manufacturing Sector, 26-11-84) which needs amendment and further elaboration.

2.2. Regional priorities

ETEPAP is to focus on the second and third rank regions rather than the most populous. Several locations have to be chosen for pilot testing of the ETEPAP programs. There is also a need to prepare the background material for the full national program.

2.2.1. The capacity of a region to successfully absorb ETEPAP activities is the overriding criterion for choice among the second and third rank regions. The dimensions of absorptive capacity need to be developed.

2.2.2. After full consideration has been given to absorptive capacity, attention can also be given to depopulated regions, border regions and islands.

### 2.3. Intra-Regional Priorities

Intra-regional priorities include the possibilities for inter-area linkages, with emphasis on rural areas.

Areas are as defined in the Census of Population.

- 2.3.1. Rural areas
- 2.3.2. Semi-urban areas
- 2.3.3. Urban areas

### 3. Proposed Main ETEPAP Activities

ETEPAP will undertake some of the activities itself, it may develop activities jointly with other institutions or it may subcontract these activities to others.

- 3.1. Creation of an institutional environment and outreach program to ensure the participation of potential entrepreneurs from target populations in the generation of investment project studies.
- 3.2. Entrepreneurship development through identification and training of entrepreneurially oriented individuals and groups from target populations
- 3.3. Appraisal of investment project ideas from external or internal sources
- 3.4. Generation of feasibility (or lower level) investment project studies from accepted project ideas
- 3.5. Appraisal of feasibility studies
- 3.6. Financing, co-financing, promotion, etc., of those investment project deemed viable
- 3.7. Advising on investment project implementation, start-up, continuing operations, etc.
- 3.8. Evaluation of all dimensions of ETEPAP programs.

#### 4. Tasks for the Pre-Start Phase of ETEPAP

ETEAP is to be pilot tested starting in May 1987. The time period for the following pre-start tasks is six weeks. The tasks in section 4.4., below, will clearly continue through the testing period as information on how well ETEAP actually works will undoubtedly lead to program revisions.

- 4.1. Collect all previous reports, studies, etc. developed for ETEAP. Retain any usable material.
- 4.2. Collect the relevant (Greek, EC, etc.) studies, reports, surveys, policies, programs, laws and data regarding the target populations of section 2.1.
  - 4.2.1. Provide a systematic analysis of materials collected. Develop a target population database consistent with the location data of section 4.3.1., below.
- 4.3. Collect the relevant studies, reports, surveys, policies, programs, laws and data regarding the areal units of sections 2.2. and 2.3., above.
  - 4.3.1. Provide a systematic analysis of materials collected. Develop the analysis on the basis of a Nomos and its political subdivisions, such as Eparchias and Demi. Develop a location database consistent with the target population database of section 4.2.1., above.
- 4.4. On the basis of the objectives and priorities of sections 1. and 2., and the completed tasks of sections 4.1.-4.3., develop an analytical base for the commencement of ETEAP operations.

4.5. Define ETEPAP programs and their success criteria.

4.5.1. Analyze the positive, neutral and negative effects of existing policies, programs and laws on the operations of ETEPAP. Define the preferred configuration of policies, programs and laws.

4.5.2. Develop specific analyses of desirable pilot program locations and their target populations. Desirable locations and their target populations will, in the first instance, be chosen on the basis of their capacity to successfully absorb ETEPAP activities. Visiting potentially desirable locations and initiating contacts with knowledgeable individuals and institutions will contribute significantly to making the best choices for testing ETEPAP's programs.

TO : ETEPAP Working Group  
FROM : R. Lissak  
SUBJECT : Suggested Composition of the ETEPAP Governing  
Council

The ETEPAP Governing Council should be composed of individuals whose backgrounds are particularly well suited to the purpose of ETEPAP -- that is, the promotion of new productive investment projects. ETEPAP will act as a publicly funded Venture Capital Fund as one part of its activities as well as an incubator of investment projects to be financed by other institutions. This paper proposes some criteria for selecting the Council members from both the public and private sectors.

Since ETEPAP will be in the business of promoting investment projects from idea through implementation, experience in new business start-ups is the most important criterion for both the President of the Council and the Managing Director. This suggests that both posts go to experienced businesspeople. The difference between the President and Managing Director should be that the former will have the main responsibility for setting policy and promoting the program while the latter will naturally concentrate on planning and implementing it. For these reasons, the President should ideally be a well-known retired businessperson who speaks with authority in business matters and has the desire and ability to contribute to the development of Greece by promoting



the program both nationally and internationally. The Managing Director should be an experienced businessperson with demonstrated executive ability. It is likely that the President will have to be available almost full-time for the first year. If the President is a successful retired businessperson, salary is unlikely to be the main consideration in accepting the post. The Managing Director, on the other hand, will most likely consider an appropriate private sector salary as an indication that the Government is serious about ETEPAP.

Other non-governmental Council members should come from banking, business and technical areas. A representative from the Technical Chamber might be useful in helping to promote the program within that organization. Since ETEPAP will seek the participation of women as individuals and in groups, it is desirable to have a representative from a leading woman's organization. This should not be an excuse for limiting the Council's female members to one. Academics should be avoided unless they have clearly demonstrated practical expertise required for the Council's effective operation.

The Government Council members should include a representative from Local Government -- most likely a mayor as a number of projects are expected to be sponsored by Local Government. Other Government Council members should have experience in finance, evaluation of investment projects, etc.

Attached is a copy of an article about a newly founded Venture Capital Fund in China. It has some of the same characteristics as ETEPAP but its focus is much narrower. The business oriented backgrounds of the fund managers are particularly interesting.

**TABLE 9.1<sup>10</sup>**  
**INDICATORS OF DEVELOPMENT BY RANK OF NOMOI**  
**IN CATEGORY OF DEVELOPMENT**

NOMOI	(1) CORRELATED CATEGORY (A) - (C)	(2) DURATION CONDITION	(3) MATERIAL REQUIRE	(4) COSTS REQUIRE	(5) EMERGENCY WEIGHT	(6) PRODUCTION REQUIRE	PER CENT			(10) CATEGORY E. NOMOI
							TOTAL			
							(7)	(8)	(9)	
<b>I. Highly Developed NOMOI</b>										
L.M. AUSTRIA	1	1	18	1	1	7	1	1	1	2
L.M. BELGIUM	2	2	16	2	1	2	2	2	2	1
L.M. HOLLAND	3	3	19	3	2	1	3	2	2	1
<b>II. Diverse NOMOI</b>										
L.M. ALGERIA	7	8	13	6	13	9	10	10	16	1
L.M. BELARUS	5	12	15	5	5	3	16	7	3	4
L.M. BOSTON	6	10	21	17	7	2	7	2	2	7
L.M. DENMARK	3	2	11	20	17	6	8	11	18	1
L.M. ESTONIA	2	2	6	12	12	8	4	7	17	4
L.M. FINLAND	4	19	15	17	10	5	4	3	6	3
L.M. GERMANY	10	13	1	11	11	13	13	12	17	7
L.M. ITALY	8	6	11	8	21	19	16	21	23	3
L.M. JAPAN	12	5	23	22	16	17	7	19	15	4
L.M. NORWAY	13	11	28	27	8	12	6	10	7	3
L.M. SWEDEN	17	18	13	7	9	15	21	26	10	7
<b>III. Diverse-Sized NOMOI</b>										
L.M. CANADA	15	5	20	18	27	20	23	10	31	3
L.M. GERMANY	16	24	7	12	19	10	28	19	20	7
L.M. GREECE	17	12	18	13	18	24	15	27	19	7
L.M. HUNGARY	18	11	17	17	25	24	17	18	17	7
L.M. INDIA	19	10	13	20	5	26	31	13	10	3
L.M. JAPAN	20	15	23	19	10	16	12	17	17	7
L.M. KOREA	21	11	16	26	17	11	9	8	8	7
L.M. MALAYSIA	22	23	20	27	15	17	12	15	5	3
L.M. POLAND	23	19	11	3	11	15	15	16	7	3
L.M. PORTUGAL	24	1	13	23	20	17	17	9	12	3
L.M. RUSSIA	25	20	9	31	23	12	27	16	11	3
L.M. SWITZERLAND	26	26	10	25	6	17	20	25	11	7
L.M. U.S.A.	27	18	24	10	25	22	18	21	17	1
L.M. U.S.S.R.	28	25	22	12	23	25	22	10	16	3
L.M. U.K.	29	17	17	3	28	12	22	17	23	3
L.M. CANADA	30	12	2	16	17	10	17	12	21	3
L.M. GERMANY	31	27	22	12	25	23	17	13	21	3
L.M. FRANCE	32	18	27	21	31	18	18	6	28	3
<b>IV. Variable NOMOI</b>										
L.M. AUSTRIA	33	12	9	27	15	19	15	28	17	3
L.M. BELGIUM	34	19	12	18	17	18	19	18	18	3
L.M. DENMARK	35	13	15	15	17	28	24	16	17	3
L.M. FINLAND	36	28	17	10	16	23	17	15	17	7
L.M. GERMANY	37	26	27	12	16	10	18	12	15	3
L.M. HUNGARY	38	16	15	18	18	12	19	17	17	7
L.M. ITALY	39	17	8	28	19	16	-	-	16	7
L.M. JAPAN	40	10	12	18	13	17	26	23	9	3
L.M. KOREA	41	15	11	10	12	16	12	27	22	7
L.M. MALAYSIA	42	22	18	15	10	10	10	17	17	7
L.M. NORWAY	43	11	27	16	22	18	17	15	12	4
L.M. POLAND	44	15	3	17	20	21	17	17	16	7
L.M. PORTUGAL	45	17	1	17	18	17	17	17	18	3
L.M. RUSSIA	46	13	10	17	15	15	16	17	17	7
L.M. SWITZERLAND	47	18	25	16	19	15	25	11	10	7
L.M. U.S.A.	48	17	5	17	13	17	23	23	12	3
L.M. U.S.S.R.	49	17	10	11	16	17	2	17	17	7
L.M. CANADA	50	17	11	13	17	17	10	10	17	7
L.M. GERMANY	51	10	16	18	12	10	10	17	10	7

<sup>10</sup> For Sources, see sections 9.1 and 9.2, above.



TABLE 9.30  
1971-1981

SHIFT AND SHARE METHOD OF ANALYSIS BY NOMAD:  
DIRECTION OF CHANGE OF THE COMPONENTS OF TOTAL  
SHIFT-SHARE

NOMAD	(1) NOMAD SHARE	(2) QUANTITY MIA	(3) PERCENT SHARE	(4) TOTAL GRADE	(5) CATEGORY OF ADVICE
<b>I. Heavy Industrial Nomad</b>					
I.1. Iron	+	+	-	+	2
I.2. Steel	+	+	+	+	1
I.3. Machinery	+	+	+	+	1
<b>II. Domestic Nomad</b>					
II.1. Food	+	+	+	+	1
II.2. Textile	+	+	-	+	2
II.3. Paper	+	+	-	+	2
II.4. Chemical	+	+	+	+	1
II.5. Leather	+	+	+	+	3
II.6. Glass	+	+	+	+	3
II.7. Rubber	+	+	+	+	3
II.8. Petroleum	+	+	+	+	3
II.9. Lumber	+	+	+	+	3
II.10. Metal	+	+	+	+	3
II.11. Other	+	+	+	+	3
<b>III. Intermediate Sector Nomad</b>					
III.1. Textile	+	+	+	+	3
III.2. Chemical	+	+	+	+	3
III.3. Paper	+	+	+	+	3
III.4. Rubber	+	+	+	+	3
III.5. Petroleum	+	+	+	+	3
III.6. Lumber	+	+	+	+	3
III.7. Metal	+	+	+	+	3
III.8. Glass	+	+	+	+	3
III.9. Leather	+	+	+	+	3
III.10. Food	+	+	+	+	3
III.11. Other	+	+	+	+	3
<b>IV. Primitive Nomad</b>					
IV.1. Sugar	+	+	+	+	3
IV.2. Tobacco	+	+	+	+	3
IV.3. Cotton	+	+	+	+	3
IV.4. Rubber	+	+	+	+	3
IV.5. Lumber	+	+	+	+	3
IV.6. Metal	+	+	+	+	3
IV.7. Glass	+	+	+	+	3
IV.8. Leather	+	+	+	+	3
IV.9. Food	+	+	+	+	3
IV.10. Other	+	+	+	+	3
IV.11. Petroleum	+	+	+	+	3
IV.12. Chemical	+	+	+	+	3
IV.13. Paper	+	+	+	+	3
IV.14. Textile	+	+	+	+	3
IV.15. Lumber	+	+	+	+	3
IV.16. Metal	+	+	+	+	3
IV.17. Glass	+	+	+	+	3
IV.18. Leather	+	+	+	+	3
IV.19. Food	+	+	+	+	3
IV.20. Other	+	+	+	+	3

0 For sources, see sections 9.1. and 9.2., above.

TABLE 9.4<sup>0</sup>  
1971-1981

SHIFT AND SHARE METHOD OF ANALYSIS BY NODOS:  
DIRECTION OF CHANGE OF THE COMPONENTS OF  
INDUSTRY AND MANUFACTURING SHIFT SHARE

NODOS	INDUSTRY			MANUFACTURING				
	(2) NATIONAL SHARE	(3) INDUSTRY FLUX	(5) REGIONAL SHARE	(1) TOTAL CHANGE	(4) REGIONAL SHARE	(6) INDUSTRY FLUX	(7) REGIONAL SHARE	(8) TOTAL CHANGE
<b>I. Heavy Industry Nodos</b>								
1. H. ARMED	+	-	-	+	+	+	-	+
2. H. CHEMICALS	+	+	+	+	+	+	+	+
3. H. METALS	+	-	-	+	+	+	-	+
<b>II. Diverse Nodos</b>								
4. D. AEROS	+	+	+	+	+	+	+	+
5. D. TEXTILE	+	+	+	+	+	+	+	+
6. D. FOOD	+	+	+	+	+	+	+	+
7. D. ELECTRIC	+	+	+	+	+	+	+	+
8. D. CHEMICAL	+	+	+	+	+	+	+	+
9. D. OIL	+	+	+	+	+	+	+	+
10. D. METALS	+	+	+	+	+	+	+	+
11. D. TRANSPORT	+	+	+	+	+	+	+	+
12. D. LUMBER	+	+	+	+	+	+	+	+
13. D. SPINNING	+	+	+	+	+	+	+	+
14. D. COPPER	+	+	-	+	+	+	-	-
<b>III. Diverse Small Nodos</b>								
15. S. AEROS	+	+	+	+	+	+	+	+
16. S. CHEMICALS	+	+	+	+	+	+	+	+
17. S. COPPER	+	+	-	+	+	+	-	-
18. S. FOOD	+	+	+	+	+	+	+	+
19. S. METALS	+	+	+	+	+	+	+	+
20. S. OIL	+	+	+	+	+	+	+	+
21. S. TRANSPORT	+	+	+	+	+	+	+	+
22. S. LUMBER	+	+	+	+	+	+	+	+
23. S. CHEMICAL	+	+	-	+	+	+	-	-
24. S. ELECTRIC	+	+	+	+	+	+	+	+
25. S. METALS	+	+	+	+	+	+	+	+
26. S. TRANSPORT	+	+	+	+	+	+	+	+
27. S. OIL	+	+	+	+	+	+	+	+
28. S. AEROS	+	+	+	+	+	+	+	+
29. S. CHEMICAL	+	+	+	+	+	+	+	+
30. S. FOOD	+	+	+	+	+	+	+	+
31. S. METALS	+	+	+	+	+	+	+	+
32. S. TRANSPORT	+	+	+	+	+	+	+	+
33. S. LUMBER	+	+	+	+	+	+	+	+
34. S. CHEMICAL	+	+	-	+	+	+	-	-
35. S. ELECTRIC	+	+	+	+	+	+	+	+
36. S. METALS	+	+	+	+	+	+	+	+
37. S. TRANSPORT	+	+	+	+	+	+	+	+
38. S. OIL	+	+	+	+	+	+	+	+
39. S. AEROS	+	+	+	+	+	+	+	+
40. S. CHEMICAL	+	+	+	+	+	+	+	+
41. S. FOOD	+	+	+	+	+	+	+	+
42. S. METALS	+	+	+	+	+	+	+	+
43. S. TRANSPORT	+	+	+	+	+	+	+	+
44. S. LUMBER	+	+	+	+	+	+	+	+
45. S. CHEMICAL	+	+	+	+	+	+	+	+
46. S. FOOD	+	+	+	+	+	+	+	+
47. S. METALS	+	+	+	+	+	+	+	+
48. S. TRANSPORT	+	+	+	+	+	+	+	+
49. S. OIL	+	+	+	+	+	+	+	+
50. S. AEROS	+	+	+	+	+	+	+	+
51. S. CHEMICAL	+	+	+	+	+	+	+	+
52. S. FOOD	+	+	+	+	+	+	+	+
53. S. METALS	+	+	+	+	+	+	+	+
54. S. TRANSPORT	+	+	+	+	+	+	+	+
55. S. LUMBER	+	+	+	+	+	+	+	+
56. S. CHEMICAL	+	+	+	+	+	+	+	+
57. S. FOOD	+	+	+	+	+	+	+	+
58. S. METALS	+	+	+	+	+	+	+	+
59. S. TRANSPORT	+	+	+	+	+	+	+	+
60. S. OIL	+	+	+	+	+	+	+	+
61. S. AEROS	+	+	+	+	+	+	+	+
62. S. CHEMICAL	+	+	+	+	+	+	+	+
63. S. FOOD	+	+	+	+	+	+	+	+
64. S. METALS	+	+	+	+	+	+	+	+
65. S. TRANSPORT	+	+	+	+	+	+	+	+
66. S. LUMBER	+	+	+	+	+	+	+	+
67. S. CHEMICAL	+	+	+	+	+	+	+	+
68. S. FOOD	+	+	+	+	+	+	+	+
69. S. METALS	+	+	+	+	+	+	+	+
70. S. TRANSPORT	+	+	+	+	+	+	+	+
71. S. OIL	+	+	+	+	+	+	+	+
72. S. AEROS	+	+	+	+	+	+	+	+
73. S. CHEMICAL	+	+	+	+	+	+	+	+
74. S. FOOD	+	+	+	+	+	+	+	+
75. S. METALS	+	+	+	+	+	+	+	+
76. S. TRANSPORT	+	+	+	+	+	+	+	+
77. S. LUMBER	+	+	+	+	+	+	+	+
78. S. CHEMICAL	+	+	+	+	+	+	+	+
79. S. FOOD	+	+	+	+	+	+	+	+
80. S. METALS	+	+	+	+	+	+	+	+
81. S. TRANSPORT	+	+	+	+	+	+	+	+
82. S. OIL	+	+	+	+	+	+	+	+
83. S. AEROS	+	+	+	+	+	+	+	+
84. S. CHEMICAL	+	+	+	+	+	+	+	+
85. S. FOOD	+	+	+	+	+	+	+	+
86. S. METALS	+	+	+	+	+	+	+	+
87. S. TRANSPORT	+	+	+	+	+	+	+	+
88. S. LUMBER	+	+	+	+	+	+	+	+
89. S. CHEMICAL	+	+	+	+	+	+	+	+
90. S. FOOD	+	+	+	+	+	+	+	+
91. S. METALS	+	+	+	+	+	+	+	+
92. S. TRANSPORT	+	+	+	+	+	+	+	+
93. S. OIL	+	+	+	+	+	+	+	+
94. S. AEROS	+	+	+	+	+	+	+	+
95. S. CHEMICAL	+	+	+	+	+	+	+	+
96. S. FOOD	+	+	+	+	+	+	+	+
97. S. METALS	+	+	+	+	+	+	+	+
98. S. TRANSPORT	+	+	+	+	+	+	+	+
99. S. LUMBER	+	+	+	+	+	+	+	+
100. S. CHEMICAL	+	+	+	+	+	+	+	+
101. S. FOOD	+	+	+	+	+	+	+	+
102. S. METALS	+	+	+	+	+	+	+	+
103. S. TRANSPORT	+	+	+	+	+	+	+	+
104. S. OIL	+	+	+	+	+	+	+	+
105. S. AEROS	+	+	+	+	+	+	+	+
106. S. CHEMICAL	+	+	+	+	+	+	+	+
107. S. FOOD	+	+	+	+	+	+	+	+
108. S. METALS	+	+	+	+	+	+	+	+
109. S. TRANSPORT	+	+	+	+	+	+	+	+
110. S. LUMBER	+	+	+	+	+	+	+	+
111. S. CHEMICAL	+	+	+	+	+	+	+	+
112. S. FOOD	+	+	+	+	+	+	+	+
113. S. METALS	+	+	+	+	+	+	+	+
114. S. TRANSPORT	+	+	+	+	+	+	+	+
115. S. OIL	+	+	+	+	+	+	+	+
116. S. AEROS	+	+	+	+	+	+	+	+
117. S. CHEMICAL	+	+	+	+	+	+	+	+
118. S. FOOD	+	+	+	+	+	+	+	+
119. S. METALS	+	+	+	+	+	+	+	+
120. S. TRANSPORT	+	+	+	+	+	+	+	+
121. S. LUMBER	+	+	+	+	+	+	+	+
122. S. CHEMICAL	+	+	+	+	+	+	+	+
123. S. FOOD	+	+	+	+	+	+	+	+
124. S. METALS	+	+	+	+	+	+	+	+
125. S. TRANSPORT	+	+	+	+	+	+	+	+
126. S. OIL	+	+	+	+	+	+	+	+
127. S. AEROS	+	+	+	+	+	+	+	+
128. S. CHEMICAL	+	+	+	+	+	+	+	+
129. S. FOOD	+	+	+	+	+	+	+	+
130. S. METALS	+	+	+	+	+	+	+	+
131. S. TRANSPORT	+	+	+	+	+	+	+	+
132. S. LUMBER	+	+	+	+	+	+	+	+
133. S. CHEMICAL	+	+	+	+	+	+	+	+
134. S. FOOD	+	+	+	+	+	+	+	+
135. S. METALS	+	+	+	+	+	+	+	+
136. S. TRANSPORT	+	+	+	+	+	+	+	+
137. S. OIL	+	+	+	+	+	+	+	+
138. S. AEROS	+	+	+	+	+	+	+	+
139. S. CHEMICAL	+	+	+	+	+	+	+	+
140. S. FOOD	+	+	+	+	+	+	+	+
141. S. METALS	+	+	+	+	+	+	+	+
142. S. TRANSPORT	+	+	+	+	+	+	+	+
143. S. LUMBER	+	+	+	+	+	+	+	+
144. S. CHEMICAL	+	+	+	+	+	+	+	+
145. S. FOOD	+	+	+	+	+	+	+	+
146. S. METALS	+	+	+	+	+	+	+	+
147. S. TRANSPORT	+	+	+	+	+	+	+	+
148. S. OIL	+	+	+	+	+	+	+	+
149. S. AEROS	+	+	+	+	+	+	+	+
150. S. CHEMICAL	+	+	+	+	+	+	+	+
151. S. FOOD	+	+	+	+	+	+	+	+
152. S. METALS	+	+	+	+	+	+	+	+
153. S. TRANSPORT	+	+	+	+	+	+	+	+
154. S. LUMBER	+	+	+	+	+	+	+	+
155. S. CHEMICAL	+	+	+	+	+	+	+	+
156. S. FOOD	+	+	+	+	+	+	+	+
157. S. METALS	+	+	+	+	+	+	+	+
158. S. TRANSPORT	+	+	+	+	+	+	+	+
159. S. OIL	+	+	+	+	+	+	+	+
160. S. AEROS	+	+	+	+	+	+	+	+
161. S. CHEMICAL	+	+	+	+	+	+	+	+
162. S. FOOD	+	+	+	+	+	+	+	+
163. S. METALS	+	+	+	+	+	+	+	+
164. S. TRANSPORT	+	+	+	+	+	+	+	+
165. S. LUMBER	+	+	+	+	+	+	+	+
166. S. CHEMICAL	+	+	+	+	+	+	+	+
167. S. FOOD	+	+	+	+	+	+	+	+
168. S. METALS	+	+	+	+	+	+	+	+
169. S. TRANSPORT	+	+	+	+	+	+	+	+
170. S. OIL	+	+	+	+	+	+	+	+
171. S. AEROS	+	+	+	+	+	+	+	+
172. S. CHEMICAL	+	+	+	+	+	+	+	+
173. S. FOOD	+	+	+	+	+	+	+	+