

LONDON BUSINESS SCHOOL CONFERENCE GREECE: THE WAY FORWARD

PARTICIPANTS

George Alogoskoufis is Professor of Economics at the Athens University of Economics and Business. He was a member of the Hellenic Parliament from September 1996 till October 2009 and served as Greece's Minister of Economy and Finance from March 2004 till January 2009.

Mario I. Blejer served as Governor of the Central Bank of Argentina during its 2001/2 crisis. He is currently Chairman of Banco Hipotecario (argentine Mortgage Bank). He is also a member on the monetary Policy Committee of the Central Bank of Mauritius and was Chairman of the global Agenda council on the International Monetary System at the World Economic Forum (Davos).

Creon Butler has been Senior Adviser (International and EU) at HM Treasury since August 2009. He currently advises on the Eurozone sovereign debt crisis; the French G20's Presidency's work on global macroeconomic policy co-ordination 9the "framework for Strong, Sustainable and Balanced Growth") and reform of the international monetary system (including global financial safety nets); and the UK's Economic and Financial Dialogues with China and India.

Paul De Grauwe is Professor of International Economics at the University of Leuven, Belgium. He was a member of the Belgian parliament from 1991 to 2003. He is honorary doctor of the University of Sankt Gallen (Switzerland), the University of Turku (Finland), and the University of Genoa).

Petros Doukas is head of Capital Partners SA, an Athens –based investment banking and M&A advisory firm. From March 2004 to October 2009 he was a member of the Greek Parliament, Attica region. From 2004 to 2009 he also served as Deputy Minister of Finance and Deputy Minister of Foreign Affairs.

Kevin Featherstone is the Eleftherios Venizelos Professor of Contemporary Greek Studies at the London School of Economics, Director of its European Institute and of the Hellenic Observatory.

Takis Georgakopoulos is the Worldwide CFO of Corporate Banking at JP Morgan. Prior to joining JP Morgan, he was a Partner at McKinsey's New York Financial Institutions Group, serving several of the largest universal and investment banks.

Tassos Giannitsis is a professor of Development and international Economics for the Department of Economics at the University of Athens. HGe was Chief Economic Advisor to the Prime Minister 2001 -2004 and Foreign Minister in February to March 2004. In December 2009 Tassos was appointed Chairman of the Hellenic Petroleum Co. S.A.

Gikas Hardouvelis is a Professor in the Department of Banking & Financial Management at the University of Piraeus, Greece, and Chief Economist and Head of Economic Research of the Eurobank EFG Group. In 2000-2004 he served as the Director of the Economic office of Greek Prime Minister C. Simitis.

Michael Jacobides holds the Sir Donald Gordon chair for Entrepreneurship & Innovation at London Business School, where he is Associate Professor of Strategic and International Management.

Stathis Kalyvas is Arnold Wolfers Professor of Political Science and Director of the Program on Order, conflict, and Violence at Yale. He holds a PhD in political Science from the University of Chicago (1993) and has taught at Ohio State University, and Juan March Institute.

Louka Katseli has been a Member of Hellenic Parliament since 2007. she is Former Minister of Economy, Competitiveness and Shipping (October 2009- September 2010) and former Minister for Labor and Social Security of the Hellenic Republic (Sept 2010- June 2011).

Sir Andrew Likierman is Dean of London Business School. He is also non-executive Chairman of the National Audit Office and non-executive Director of Barclays Bank plc.

Heleni Louri-Dendrinou is Deputy Governor of the Bank of Greece and professor at the Department of Economics of the Athens University of Economics and Business. Her main research interests are in the areas of Industrial Organization and Market Dynamics, Globalization and Foreign direct Investment, and Geography of Banking.

Andrew MacCallum is a Managing Director in the European Financial Restructuring practice of Alvarez & Marsal LLP based in London. Currently he is an independent director on the Board of ERC Preferred Equity Limited, an eircom Group company.

Stephen Machin is a Managing Director with Alvarez & Marsal Taxland in London. He focuses on corporate and international corporate tax. He also worked on the first major UK PFI projects and the first significant unbundlings in post-apartheid South Africa.

Yannis Manuelides is a banking partner with Allen & Overy, law firm based in London. After studying philosophy in the USA and law in the UK, he qualified as a solicitor in 1991. He worked in France for over 5 years, where in 1994 he became a member of the Paris bar.

Dennis Martinis is a Partner of McKinsey & company in the firm's Athens Office. He joined McKinsey & Company in 1999 as the first consultant recruited in McKinsey's Athens Office and has been part of the team that developed McKinsey's Greek Practice since then. Now in his 12th year with McKinsey, he splits his time between international and local work.

Richard Millward joined Rothschild in January 2011 and has advised companies on their debt strategy and funding throughout his career. He sits on the European Financing Advisory Management Committee which runs Rothschild's debt and equity business across Europe. He works with the London, Frankfurt and Paris office on financing and rating transactions, most recently Kion, Behr and Heidelberg Druckmaschinen in Germany, FTSE 100 Cairn Energy plc on its oil projects in India and Kaufman & Broad in Paris.

Kyriakos Mitsotakis, an MP in the Greek Parliament since 2004, has earlier worked at the National Bank of Greece, Alpha Ventures, McKinsey Consulting, and Chase Manhattan Bank.

Yiorgos Mylonadis is an Adjunct Professor of Strategy and Entrepreneurship at LBS. He has held appointments on the faculties of the Wharton School of the University of Pennsylvania and the Athens Laboratory of Business Administration, where he has also served as the Academic Director of the Executive MBA Programme.

Ad Noordzij is the Royal Bank of Scotland's Head of Global Restructuring Group for EMEA. He has worked in Holland, Chile and Brazil.

Theodore Pepanides is a Partner of McKinsey & Company in the firm's Athens Office. He has worked primarily with financial institutions and telecom operators in Greece, Turkey and Southern Europe on topics ranging from restructuring and operational efficiency to growth strategy and marketing.

Richard Portes is Professor of Economics at LBS (since 1995); President of the Centre for Economic Policy Research (which he founded in 1983); and Directeur d' Etudes at the Ecole des Haute Etudes en Sciences Sociales in Paris (since 1978).

Helene Ray is professor of Economics at LBS. Until 2007 she was at Princeton University as Professor of Economics and International Affairs in the Economics Department and the Woodrow Wilson School.

Vicky Pryce is a Senior Managing Director in FTI's Economic consulting practice, based in the London office. She joined FTI in September 2010.

Diomidis Spinellis is Secretary General for Information Systems at the Greek Ministry of Finance, where he manages IT operations and the deployment of new electronic services. He is also coordinating the Ministry's Electronic Audit Planning Committee, which plans the effective use of diverse data for the reduction of tax evasion and the monitoring of the regional tax offices.

Dimitri Vayanos is professor of Finance at the LBS, where he also directs the Paul Wooley Centre for the Study of Capital Market Dysfunctionality.

Philip Wood QC(Hon), BA(Cape Town), MA (Oxon), LL.D (Lund, Hon) is Head of the Allen & Overy Global Law Intelligence Unit and part of the Special Global Counsel at Allen & Overy, as well as the Chairman of the State Insolvency Study Group of the International Law Association.

Mirand Xafa is a Member of the Advisory Board of IJ Partners. She served as Chief Economic Advisor under Prime Minister C.Mitsotakis in Athens from 1991 to 1993.

Jeromin Zetteltmeyer, currently at EBRD, was an Advisor in the IMF's Research Department. His research interests include economic growth, international linkages, financial crises and the role of the IMF.

Format & Schedule:

Friday, October 14, 2011 – LT5. Event strictly by invitation

15.30 Registration and coffee
16.00 - 17.00 **The elephant in the room: Managing the Greek haircut**
17.00 – 17.45 **“Financial sector, privatizations and corporate governance”**
17.45 – 18.00 Coffee break
18.00 – 19.45 **Restructuring: From words to action (nation building, applied)**
19.45 – 20.15 Drinks Reception
20.15 – 21.45 **Working dinner: Maximizing our impact and plans ahead**

Saturday, October 15, 2011 (Restricted attendance –academics)

9.15 – 12.45 **Working group for White Paper:** Finalizing recommendations, organizing the write-up
12.45- 13.45 **Working Lunch**

Sessions description

Session 1. The elephant in the room: Managing the Greek Haircut

It has become abundantly evident to the near-totality of those who study the situation that the Greek debt is simply unsustainable. Rather than opening up the debate on what to do, this session *will assume that* a major restructuring with a substantial haircut will be needed in the near future. While adverse implications on the banking sector, in Greece and in the EU, are undeniable, it might be worth noting that the current policy is essentially a transfer from European (mostly) taxpayers through the EU and the IMF to those holding Greek debt, including hedge funds having bought Greek debt at substantial discounts. This session will *briefly* debate the proposition of whether a haircut is called for immediately; and then will move further to consider the implications of this haircut, and focus on how we can engineer it so as to minimize any adverse side-effects. The questions we would want to consider in this session include the following:

- What are the main costs of a haircut for the EU and the ECB, and what are they for Greece?
- How should a debt restructuring process be organized efficiently, to best serve both European and Greek interests? What side-effects do we need to most guard against? And, to deal with them, what steps need to be taken and when?
- Should Greece stay within the Euro after a restructuring?

Jeromin Zettelmeyer will provide a brief summary of the topics to frame our discussion; Prof. Richard Portes will proactively manage the conversation where all will partake.

Session 2. “Financial sector, privatizations and corporate governance”

Another important issue which will need to be considered as we look at the restructuring issues is the Greek banking system, which will inevitably require support from public funds. Given the experience of governments running banks, and

the troubled record of Greek governments running corporate vehicles, we propose considering creative ways in which we can provide capital to banks without making them liable to pressures from the Greek political system. This must be considered against mounting distrust of ordinary Greeks against any non-Greek intervention, itself the result of skewed discussion in the media. So we will have to identify the best solutions to help banks through the difficulties brought about both by potential writedowns of public debt and by the increase in NPLs associated with a growing recession.

A related topic concerns privatizations. Issues of titles and ownership have been documented as bottlenecks of the privatization process; and there is substantial concern with the extent and amount of privatization proposed. Privatizations are not only a potential source of revenue, but also an opportunity to restructure and rationalize a good part of the Greek economy, enhancing productivity. The corporate governance issues this raises are substantial. Finally, finding ways to lengthen the process of privatization (either to prepare companies and organize ownership claims, or to avoid depressed valuations in a troubled period) will be considered – including recent proposals discussed in the press. The discussion will be managed by Sir Andrew Likierman, after a brief framing by Prof. Dimitri Vayanos.

Questions to be considered include:

- How should banks be recapitalized? Is it possible to raise private funds? Are public funds and EFSF the only way?
- How to ensure good corporate governance of those banks that are recapitalized using public funds? Who should be running these banks in the interim period until they can be sold off to the private sector? Will there be entry by foreign banks? Is such entry essential? Why hasn't it happened successfully in the past?
- What should be the main directions of reform for Greece's financial system?
- What should be the scope of Greece's privatization programme? What asset size and over what horizon? Is it mainly firms? Land? Infrastructure?
- Will there be significant participation by foreigners? Is this desirable? essential? Will participation by foreigners be over a limited horizon?
- What are the necessary governance changes in the firms to be privatized? Is there a concern that the corresponding industries might be monopolized? Can monopolization be averted by divestments or by regulation?
- Is there a way to create a mechanism that provides additional time for the privatization authority so as not to have to dispose that many assets that quickly, or are suggestions along the lines of Roland Berger doomed?

Session 3. Restructuring: From words to action (nation building, applied)

It is not by accident that we have allocated the longest time slot to what we think is the most important session- which is on implementation. Anyone with a connection to Greece will confess that the situation on the ground is even more problematic than the situation on paper. Reforms are being implemented very slowly or not at all. One important example has been the remarkable inability to fix any of the problems of tax evasion for the last two years (continuing a sad record of previous governments), which in a time of sharp contraction is accentuating Greeks' sense of injustice. This is at least partly due to the inability of the apparatus of the tax collection system to operate effectively. The same can be said of numerous other parts of the Greek government. The response so far has been to focus on reductions in all variable costs (mainly, salaries) in fixed proportions and emphasizing tax collections from whatever sources appear to be easier to track, in order to meet the numbers. And while this has sent the country into a dangerous recession (and has further

strengthened anomie), it has not addressed the underlying structural issues. Both Greece's creditors (and the troika in particular) and the Greek government must shift their attention away from macroeconomic figures to indicators of structural transformation, which could also satisfy an elementary feeling of justice and of accountability of the state. To help resolve this dangerous conundrum we propose focusing the last part of our discussion on *specific structural solutions and their implementation*. We will collectively work on *how exactly the necessary changes can be catalyzed*. In particular, we will consider the following questions:

- Why are changes happening so slowly? And, more to the point, what are the bottlenecks blocking structural change, and what measures could tackle them? Is the main bottleneck the lack of administrative competence? Is it that reforms are blocked by powerful interest groups? How can such problems be dealt with?
- How can we increase transparency and accountability and force changes to happen not at the discretion of politicians and policy makers but at a quicker pace, with the results of the transformation process being visible to all Greeks and international stakeholders?
- The stance taken so far, ie not to challenge Greece's authority to manage its own affairs (and as such stay clear of operational involvement) has not paid off. Which way can we strengthen the *actual* change (contrasted with what is announced), while managing popular or political anger due to perceived loss of sovereignty?
- Should we consider "nuclear" options such as selective outsourcing or the creation of new entities dealing with the bottlenecks in terms of public sector receipts?
- Should there be an organization, over and above the advisory group of the EU What specific, politically feasible mandate might it have?
- How can we build institutional capacity for change, and what lessons can we draw from efforts of transforming either countries (or political systems) or turning around organizations?

Prof Costas Meghir will provide a 4 minute framing on structural changes; Prof M.G. Jacobides will manage the conversation, drawing on the participants experience of structural change – and of the key bottlenecks in Greece

Working dinner: Maximizing our impact and plans ahead

After a needed break for drinks, we will move in the realm of implementation. We will consider what is the best way to advance the ideas (and hopefully areas of relative convergence) from this meeting. We will ask participants to suggest ways in which we can make the resulting White Paper more effective; and see how it can affect decision-makers (in terms of the troika and the EU, the ECB and key players such as Germany); how it can be leveraged in Greece, both for policy-makers and politicians, but also to inform (perhaps in a simplified way) the public debate. We will also briefly considering how we can use the intellectual and political capital of Greeks abroad (like many in this room), or the friends of Greece so as to turn goodwill and concern about one's country into something concrete.

Confirmed Participants

Michael G Jacobides
Richard Portes
Dimitri Vayanos
Sir Andrew Likierman
Takis Georgakopoulos
Andrew MacCullum
Stephen Machin
Michael Sarris
Yiannis Manuelides
Richard White
Mario Blejer
Kevin Featherstone
Louka Katseli
Giorgos Alogoskoufis
Gikas Hardouvelis
Petros Doukas
Jeromin Zettelmeyer
Ad Noordzij
Costas Mitropoulos
Loukas Papademos (tbc)
Stathis Kalyvas
Miranda Xafas
Eleni Louri
Paul De Grauwe
Dennis Martinis
Theo Papanides
Yiorgos Mylonadis
Ioannis Ioannou
Tassos Yiannitsis
Diomidis Spinellis
Costas Meghir
Kyriakos Mitsotakis
David Wright (tbc)
Thanos Vamvakides
Horst Reichenbach (tbc)

Organization

LBS
LBS
LSE
LBS
JPMC
Alvarez & Marsal
Alvarez & Marsal
Former World Bank/ Cyprus Finance Minister
Allen & Overy
Allen & Overy
Former Argentinian Bank Central Bank President
LSE
Greek Parliament/U of Athens
Greek Parliament/EUAB
EFG Eurobank
Greek Parliament
EBRD
RBS
Privatization Agency
former ECB
Yale
JL Partners
Bank of Greece
U of Leuven
McKinsey & Co
McKinsey & Co
LBS
LBS
Hellenic Petroleum/U of Athens
Min of Finance
Yale
MP, ND
Oxford/former EU Commission
BofA/Merril/IMF
EBRD/EU Task Force on Greece

Position

Sir Donald Gordon Chair of Ent
Professor of Economics; Chair
Professor of Finance
Dean
CFO, Global Wholesale Bank
Managing Director
MD
Partner
Partner
Director, Hellenic Observatory
MP/Formal Minister
MP/Formal Minister
Chief Economist/Professor
MP/Formal Minister
Director Policy Studies
EMEA CEO, Group Lending Ser
CEO
Former Vice-Chairman ECB
Professor
Former Econ Advisor of PM
Deputy Governor
Professor
Director
Partner
Adj. Professor
Ass. Professor
Chairman/Prof/Formal Minister
Secretary General for IT
Professor
Former Deputy Competition C
Sr Analyst
Policy