

# THE CONCEPT OF PRIVATE PRODUCTIVE INVESTMENT IN THE HELLENIC INSTITUTIONAL FRAMEWORK OF REGIONAL DEVELOPMENT

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## **A. Private productive investment**

A definition of the concept of private productive investment in the hellenic institutional framework of regional development becomes urgent because, neither in science, nor in legislation, the term investment is always used with a standard content or width.

On scientific level, many concepts regarding the sense of an investment can be brought forward, e.g. the problem of scheduling investments, the method to evaluate investments, the monetisation of intangible inputs for the evaluation of investments, the timing for their realisation etc, but there is nothing about a precise and complete definition of the concept of (private productive) investment.

The term investment certainly indicates the blocking of economic resources in the perspective of deriving profits, which are expected to appear at the end of a relatively long future period. The definition that «investment» consists of the acquired material or immaterial goods, by disposal of purchasing power, of which one expects the realisation of profits» is not a bad idea, but the problem persists, at least partly.

On legislative level again, whereas it is easy at first to pretend that, in general, the term (private productive) investment is used from time to time with almost the same content and width, an attentive research however, in the wordings of the various legal documents where investment appears, would prove that the concept varies from one document to another.

In consequence the researcher can only have recourse to the legal documents for a first, even not definitive, approach of the concept of (private productive) investment, at least such as it appeared and was enforced in Greece.

According to the Legislative Decree 2687/1953, on investments and protection of

foreign capital, issued on order of the 1952 Constitution 's art. 112 which remains today in force, productive investments are those aiming at the development of the National production or helping by other means to the country's growth, including in the former the development of the Popular habitation, such as it is understood and employees' habitation (art. 2).

The above Legislative Decree (2687/1953) introduces also the concept of important productive investment, stipulating on the subject that:

1. For the application of the present text, as important productive investments are to be meant those participating to the Country 's economic growth and through them an important increase of the national production is achieved and employment or a significant increase of exports or a significant amount of change is saved or it generates a significant input of change, which value, in any case, exceeds the amount of drachmas one hundred and fifty million (150.000.000) (such as modified by art. 5 Law 159/1975).

For the issue of the above decision the submission to the competent service of the Coordination Ministry is required, by the person interested, of a request containing all the necessary, for making up an opinion about the investment elements, request put under consideration of the above Committee after the relevant introduction for opinion.<sup>2</sup>

2. The authorisation issued by the above decision holds place of expediency authorisation to realise the investment, fully replacing the legally required authorisation, whereas legislation on creation, extension and operation authorisation is applicable for the rest.

3. The same or other decision of the above Minister defines the rights and obligations of the Public Sector and of the one undertaking the investment, as well as the consequences in case of the former's non compliance. The Public Sector may undertake obligations based on the present or other applicable legislation which length may be stabilised to a set period of time. This stabilisation cannot exceed a decade following the end of the civil year where the productive action of the business, by investments subject to the present Law, starts. Any change of the decision's concitions is allowed only by the undertaker's agreement.

4. For the present Law application, wherever the investment's value is mentioned, it must be understood that any expense regarding the investment is included, except liquidities for its capital's motion.

According to the Legislative Decree 1312/1972 (art. 12) was considered as (private productive) investment: «a. The construction of establishment buildings or the purchase of other new fixed assets for the a business creation, the extension or modernisation of an existing one, from a region where is forseen an inferior aid to another; for that last case the new establishment expenses are included, such as determined by decision of a Monetary Commission..... c. The investment expenses in fixed assets, with the exception of the site's value, must at least be ten millions drachmas for a new creation and five millions drachmas for an extension or a business modernisation». This article has been replaced, especially paragraph c, by art. 7 of Legislative Decree 1377/1973, which stipulates: «c. The investment expenses in fixed assets, with the exception of the site's value, must at least amount to 10.000.000 drachmas for a business creation and to at least 5.000.000 drachmas for an extension or modernisation of existing businesses, as to the extended or modernised infrastructure a minimum 5.000.000 drachmas investment, with the exception of the site's value, must have already taken place».

According to the Law 289/1976 (art. 3) «it is considered as investment one done in region<sup>3</sup> E' for construction of establishment buildings or for purchase of new property or machinery of other new fixed elements, to serve in the construction, extension, modernisation or the development, as such, of the enterprise, or in the relocation of an existing enterprise from another region to region<sup>4</sup> E' ».

According to the Law 849/1978 (art. 7 § g) «it is considered as an investment capable of receiving support by loan the construction of industries, depots or refrigerators and related constructions, as well as the purchase of any new fixed assets to immediately serve in the production. Is not considered as investment capable of receiving support by loan the purchase of land, furniture and utensils, offices and private cars up to six (6) places...»

According to the Law 1116/1981 (art. 3) «it is considered as productive investment the construction or the purchase of new establishments, depots or refrigerators or the creation of other infrastructure, as well as the purchase of new machines and materials for production and research, transport means or other fixed elements, which serve the needs of the enterprise». Is not considered as productive investment the purchase, in any way, of private cars up to six (6) places, of furniture and office utensils or of plots.

According to the Law 1262/1982 (art. 1), as modified by the Law 1360/1983 (art. 8), it is considered as productive<sup>5</sup> investment:

a. The construction, extension and modernisation of industries, infrastructure, hotels, auxiliary establishments of the businesses concerned, which are mentioned in art. 2 of the same Law (transformation enterprises, industries and every manufacture, agricultural, forest, farming and fisheries enterprises, high technology enterprises, mining enterprises and quarries, shipbuilding enterprises, fuel enterprises, hotels and hosteleries, camps, houses or buildings to be preserved etc.).

b. The purchase or personal use for production of buildings abandoned, completed or not, of industries, manufactures, hotels or auxiliary establishments, whose construction started in the last five years preceding the publication of this Law.

c. The purchase of new machines and of other mechanic or technical, production equipment. The purchase of new computers and other auditing and automatic procedures systems.

d. The investment expenses which aim at the importation, development and the application of new technologies. The expenses to establish an original experience unit. The investment expenses for applied research and the purchase of laboratories material or equipment, of applied industrial or mining research.

e. The transport expenses for the relocation of existing productive units to less developed regions or in the same region, but to an Industrial Area according to § 4 art. 9 of the Law 1262/1982 and art. 16 of the Law 1360/1983.

f. The construction of new depots, refrigerators, dryers and product conservation spaces as well as the purchase of new refrigerator-vehicles or refrigerator-vessels, manufactured domestically.

g. The purchase of new transport means for goods, common transport for workers and employees, also equipment and establishment for the transport of materials.

h. Construction of new houses for the enterprise's employees as well as buildings or infrastructure or equipment aimed at the leisure or catering of manual workers and employees, under the condition they are build in the region where the enterprise is situated.

i. The construction, extension and modernisation of hotel infrastructure, infrastructure for the valorisation of hot springs and the purchase of their equipment. The expenses for permanent infrastructure for campings or infrastructure for winter tourism, including the construction and equipment of touristic appartments.

j. The expenses for repairs, renovation and transformation of traditional classified houses or buildings into hotels or hotel- units, regardless of their position into or outside classified or traditional urban areas. The renovation of classified hotel- units, protected by a specific legal regime of construction restrictions. The renovation expenses of classified or historical buildings by Local Administration Organisations aimed at being transformed into spaces for necessary social and cultural activities.

k. The purchase of reproduction material for farms and multiplication material for agricultural, farming or fishery enterprises.

l. The investment expenses aimed at the construction, extension, modernisation and equipment of central markets, slaughter-houses, social and cultural spaces or for other services.

Is not considered as productive investment the acquisition of a private car up to 6 places, of furniture and office utensils, of land or plots and farms».

According to the Law 1892/1990 as amended by Law 2234/1994 (23 initial articles plus two appended by Law 2234/1994), it is considered as productive investment:

a. The construction,<sup>6</sup> extention and modernisation of industry plants, establishment buildings, hotels as well as auxiliary infrastructure of the enterprises mentioned at art. 2.

b. The purchase of completed or not, of industrial space or small manufacturing buildings situated in the Industrial Areas of the Hellenic Industrial Development Band (ETBA), which are their property. Also, the purchase of not used, completed or not, industrial space or small manufacturing buildings, which construction started before the publication of this Law and which remain idle and have not been used for production aims for two years at least before applying for this Law's provisions, under the condition these establishments will be either, a. located in Thrace, or b. located elsewhere, but to be used for relocation of businesses from region A according to case (a) § 4 art. 9. The buildings to be purchased should not belong to same person who makes the investment. The Minister of National Economy defines when and how the grants or the interest rate subsidy have to be repaid to the state in the cases that these investments had already been assisted under Law 1262/1982, or this present Law, or it has not passed at least a decade since their completion act. (art. 1 of Law 2234/1994).

c. The purchase and installation of new machinery and other mechanic or technical production equipment. The purchase and installation of new systems for automation, such as computing or tele-computing processing. These expenses include the purchase of the necessary software. The expenses of professional training of the personnel during the system's installation.

d. The expenses for research and investment aimed at the introduction, development and application of modern technology, such as computing or telecomputing. The expenses for the installation of an original experimental unit. The investment expenses for applied research and the purchase of laboratory instruments or equipment for applied industrial or mining research. Research expenses for ergonomy and the employees' physical and psychological health protection.

e. The relocation expenses include the expenses of destruction, transport of

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machinery and new construction of buildings which are necessary at the new location, according to art. 9 § 4 provisions. (art. 1 Law 2234/1994).

f. The construction of new depots, refrigerators, dryers and product conservation installations as well as the purchase of new refrigerator-vehicles or refrigerator-boats. (art. 32 Law 2093/1992).

g. The purchase of new transportation means for goods and common transport for manual workers and employees, as well as equipment and installation for materials transport.

h. The construction of new houses for the enterprises's personnel, kindergardens as well as buildings or establishments or equipment aimed at the leisure or the catering of manual workers and employees, under the condition these are constructed in the local area where the enterprise is situated.

i. The construction, extension and modernisation of hotel- establishments, establishments for the valorisation of hot-water springs and mountain-ski centres and the purchase of relevant equipment with the agreement of the National Tourist Board (EOT) and the Ministry of the Environment (art. 1 Law 2234/1994).

j. The expenses for repairing, renovating and transforming classified traditionnal houses or buildings into hostelry or hotel units, regardless of their situation inside or outside of traditional or classified urban areas. The renovation of traditional hotel units considered classified and protected by a specific constructrion regime.

To be continue

Notes

1. See Constantinos GE. ATHANASSOPOULOS: The monetary incentives. Volume. 1, 3rd edition, Athens, 1993, p. 19. Also G. KAFOUSSIS: Balance analysis, Athens, 1979, p.5.

2. According to art. 6 Act 159/1975 «competent employees are appointed as contacts between Ministries and the Coordination Ministry Private Investments Service for a quicklier advance in the investment realisation.

3. Regions A', B', and C' have been created by Legislative Decrees 1078/1971 and 1312/1972.

4. The Evros, Xanthi, Rodopi, Lesbos, Chios, Samos and Dodecanesus departments have been entierly included in region E.

5. See original text in: C. GE. ATHANASSOPOULOS: Legislation on Regional Development. Volume 3. Athens, 1982, pag. 104 et s. See art. 8 of the 1360/1983 Act in: C. GE. ATHANASSOPOULOS: Legislation on Regional Development; the Hellenic experience of the last thirty years. Athens, 1984, pag. 29 et s. and in C. GE. ATHANASSOPOULOS: The institutional frame of regional development. Athens, 1992, p. 177 et s.

6. See also C. GE. ATHANASSOPOULOS - J.P. COURTHEOUX: The meaning of private productive investment. CAHIERS DE L' A.C.E. Paris 1991, (3) p. 101 et suiv. ATHANASSOPOULOS C. GE.: la notion d' investissement productif privé dans le carde institutionnel de la legislation Grecque pour le developpement. Bruxelles, 1994. ATHANASSOPOULOS C. GE.: Investissements directs étrangères et littoralisation de l' économie en Grèce. Université de Tours. Tours, 1992.