

# **EBRD in Greece: funding needs and investment priorities**

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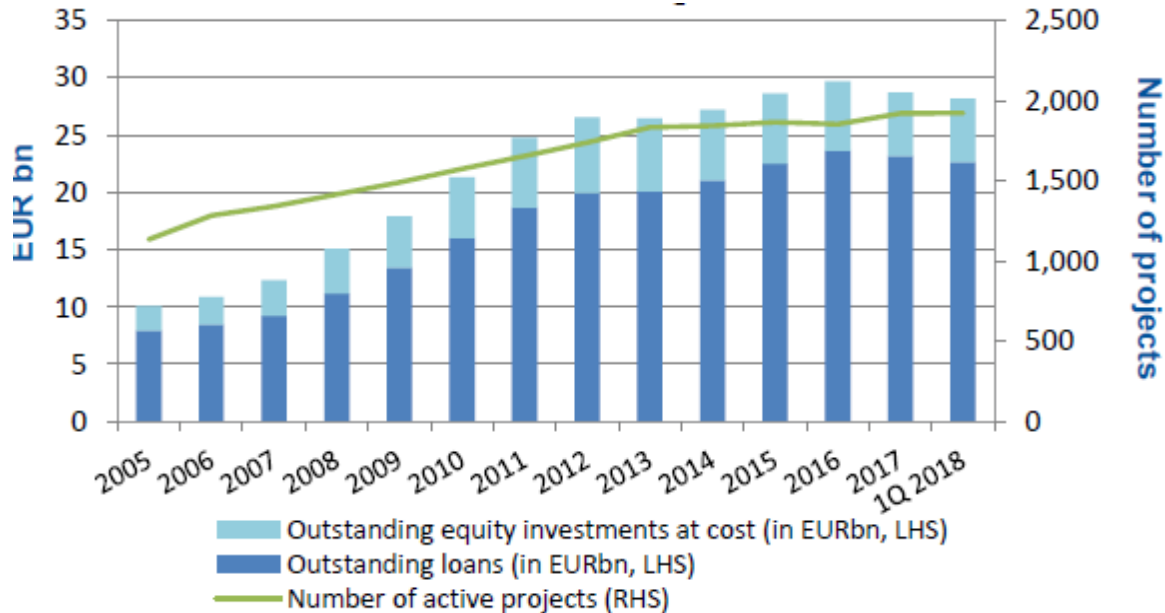
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# Introduction

-EBRD is an International Financial Institution founded in 1991; owned by 66 countries, plus the European Union and the European Investment Bank; investment presence in 36 countries.



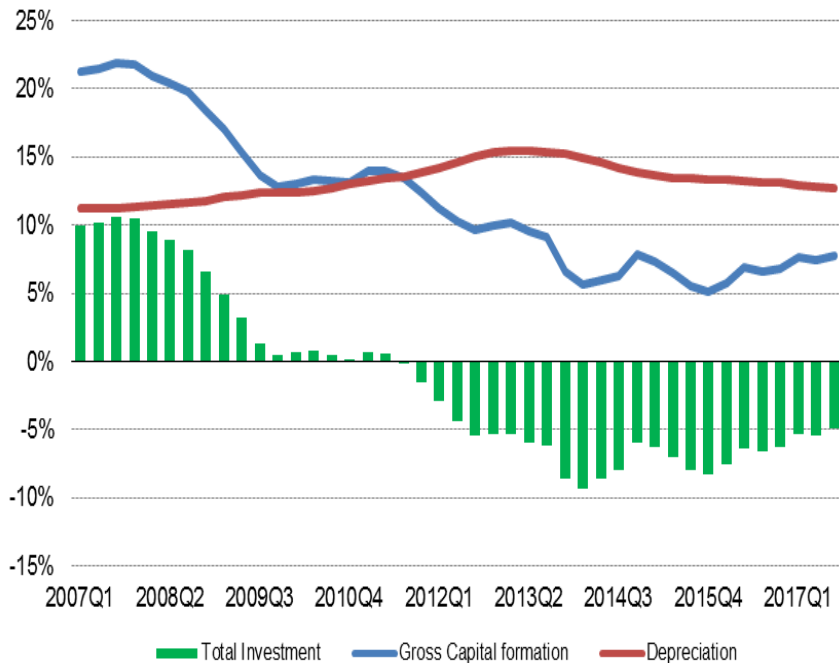
-EBRD provides market based project finance mainly to the private sector; a business partner **who shares commercial risks and applies sound banking principles.**

-The Greek Government invited EBRD to Greece for a time limited engagement aiming at **the support of investment driven economic recovery**; Extension of investment activity in Greece until 2025 currently under consideration.

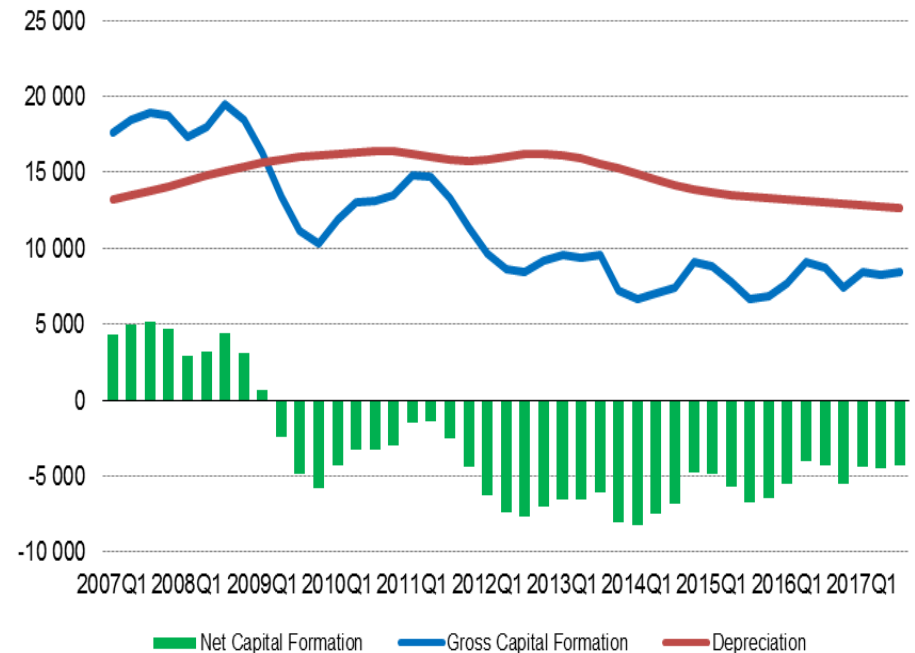
## Fixed capital depletion and economic recovery

- ❑ Gross Investment declined below depreciation since 2011. Negative net investment.
- ❑ Investment gap of private sector is currently EUR 9 bn p.a. (5% of GDP).
- ❑ For Non-Financial Companies, investment gap is EUR 4.3 bn p.a. (2.4% of GDP).
- ❑ Given rate of depreciation, even if NFCs' gross investment increases by 8% p.a., it will take 5 years until net investment becomes positive and 8 years until capital stock of NFCs increases to 2008 levels (Bank of Greece estimates).

Private investment  
(% of GDP)

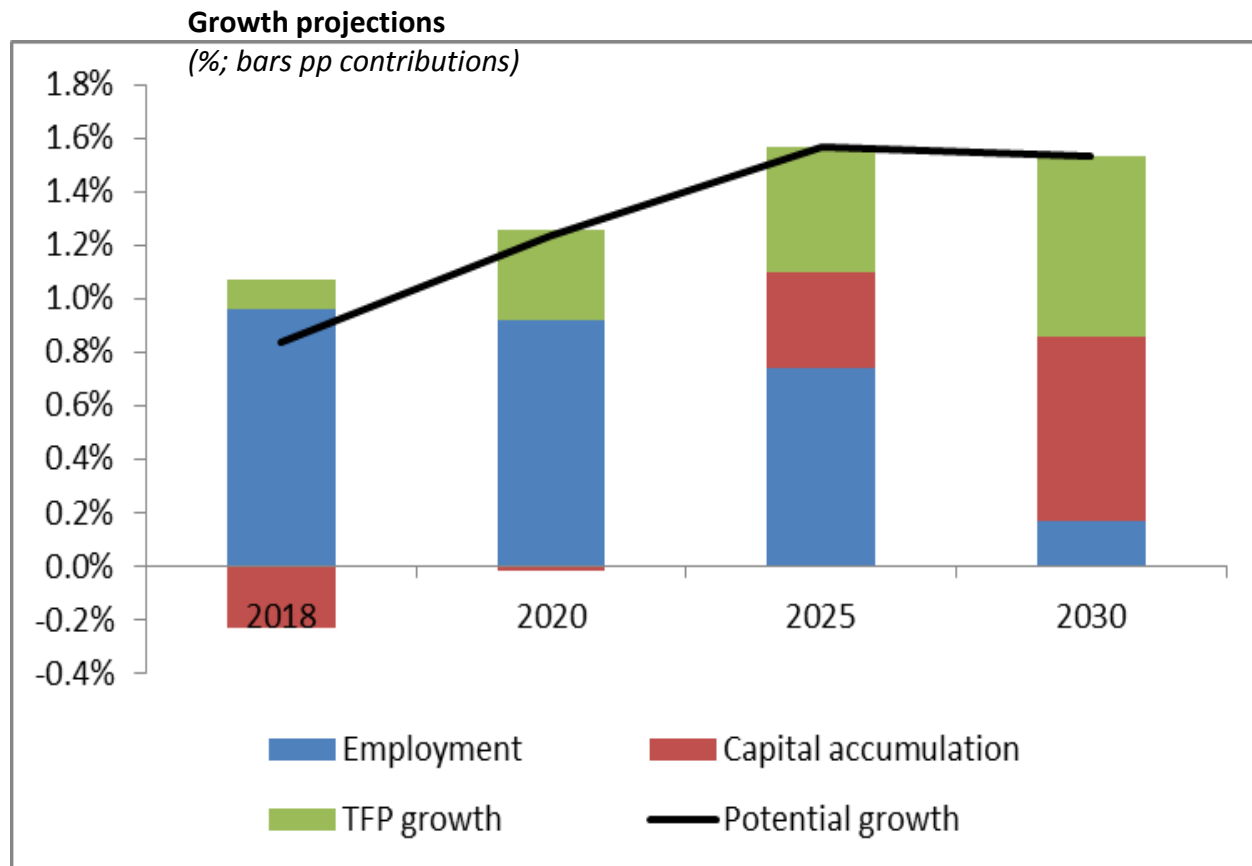


Investment of NFCs  
(EUR mn)

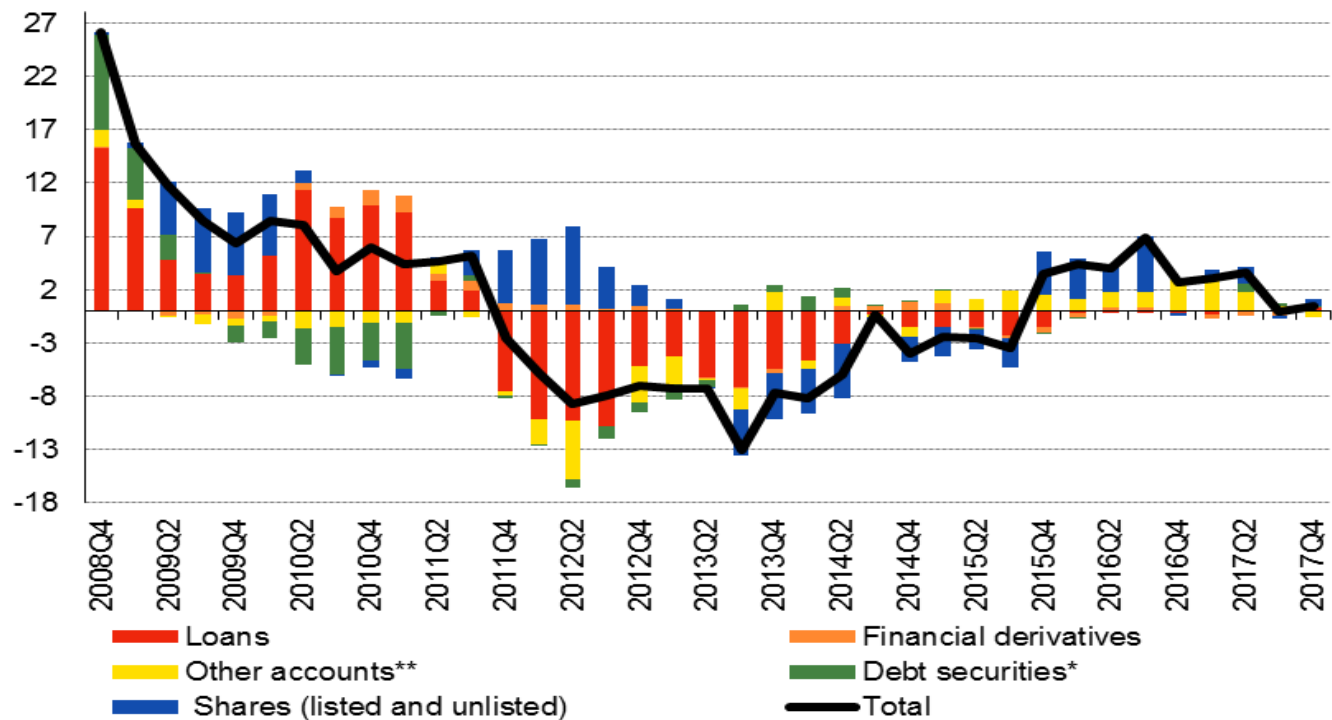


## Bank of Greece projections: Potential growth drivers differ across time

- ❑ Large pool of unemployed provides initial space for economy to grow.
- ❑ Capital stock to continue to decline due to negative net investment until 2020. Then gradually increases until 2025.
- ❑ TFP growth to gradually increase as capital stock increases and structural reforms start to pay dividends.



# External financing of Non-Financial Corporations by instrument (flows, 4 quarter moving sum, EUR bn)

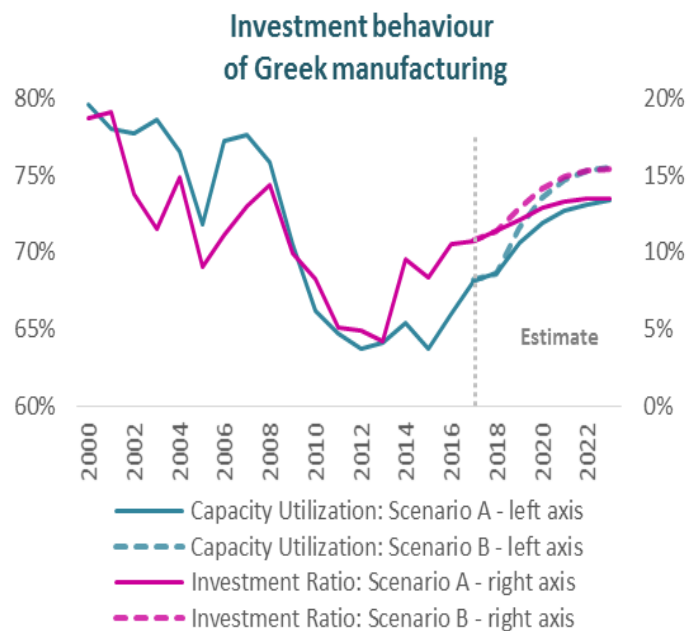


**Sources:** ECB (SDW), Bank of Greece, Financial Accounts.

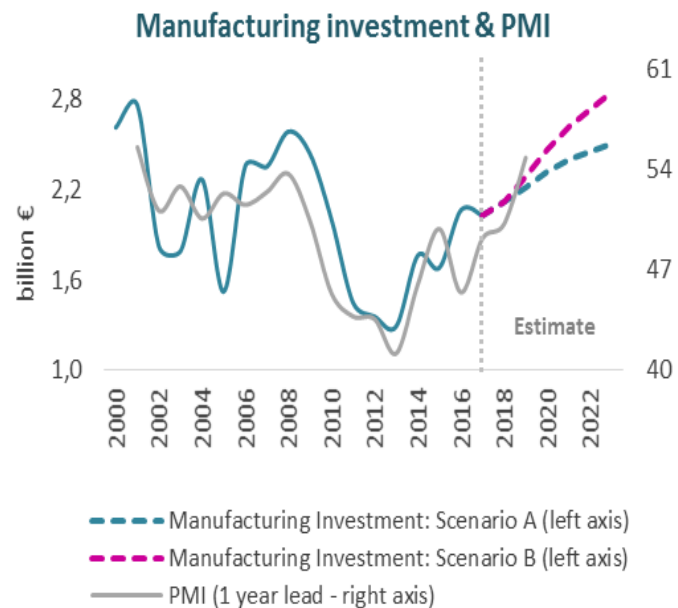
\*Does not include corporate bonds issued by Greek companies' subsidiaries residing abroad. In the period 2012-2017 these amount to €7 bn.

\*\*Includes trade credit and advances and other accounts receivable/payable.

# Investment recovery projections



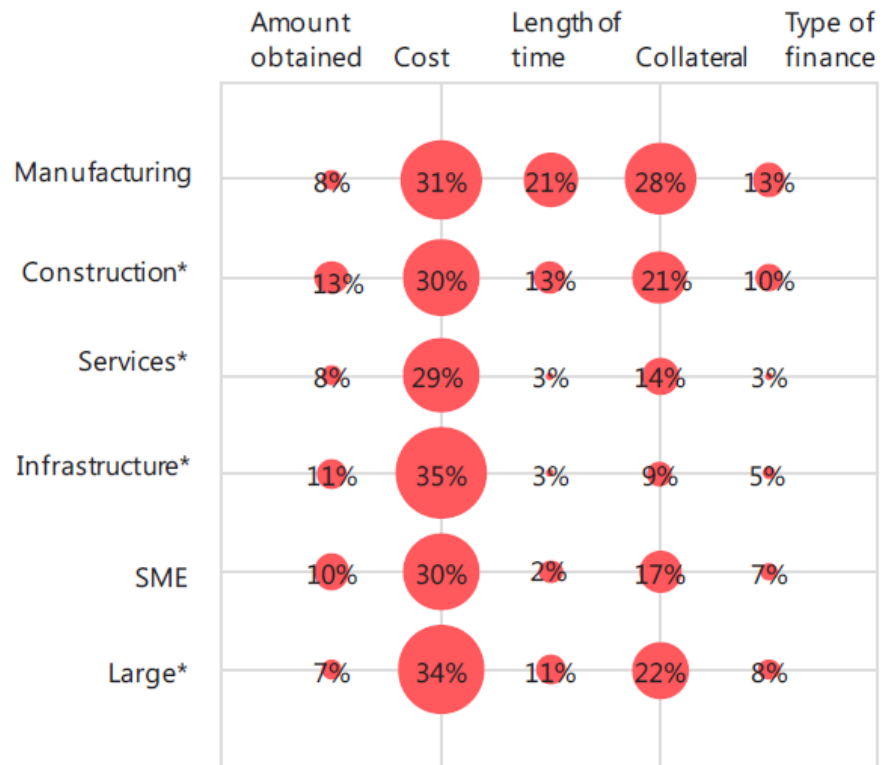
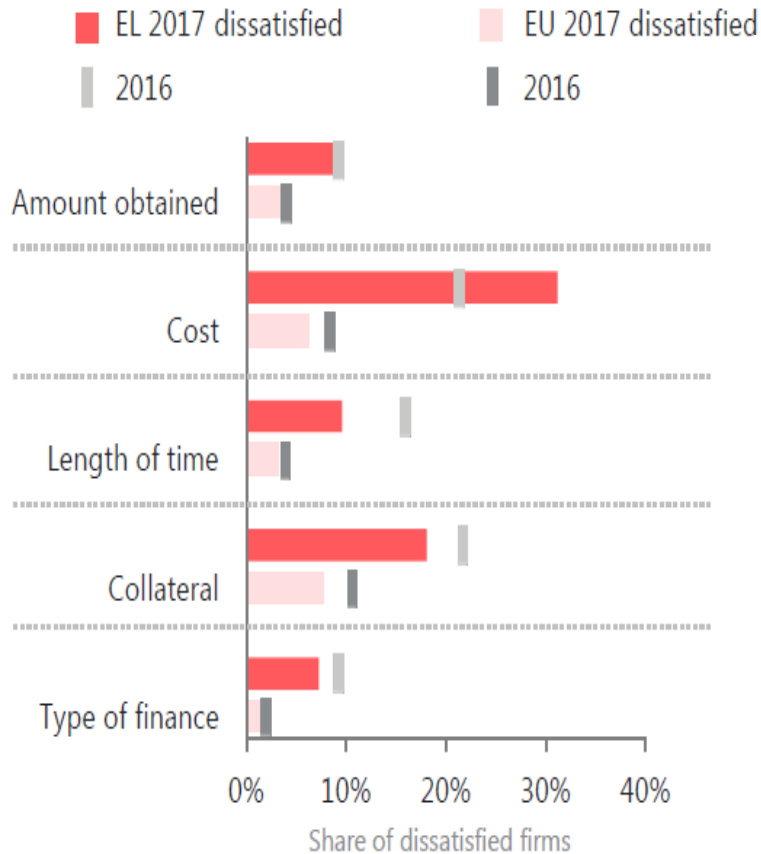
Source: NBG report, "Greek Entrepreneurship (May 2018)"



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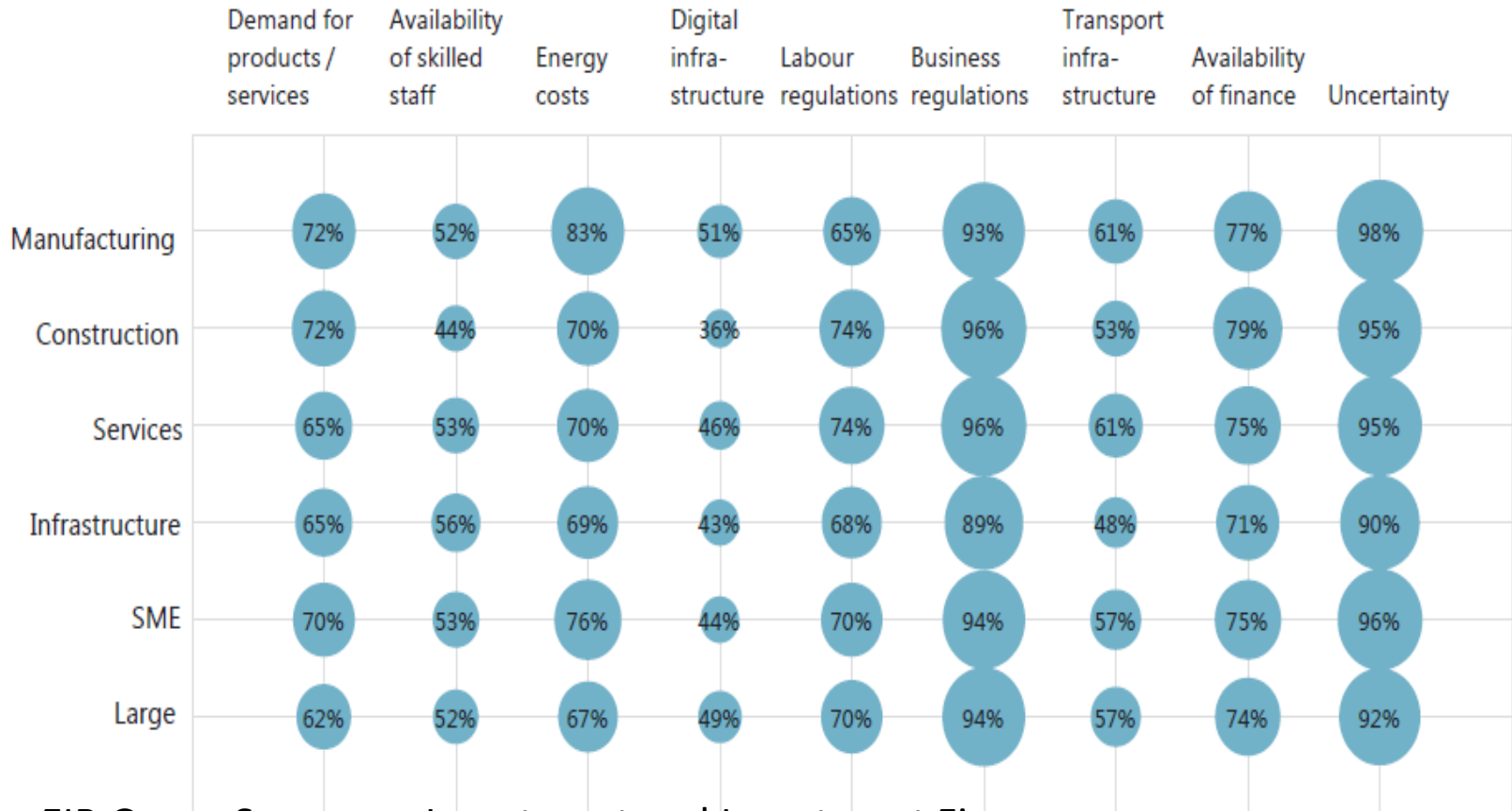
- Scenario A: Current share in world trade (0,16%)
- Scenario B: Gradual return to the pre-crisis share in world trade (0,21%)

# Level of dissatisfaction with finance



Source: EIB Group Survey on Investment and Investment Finance.

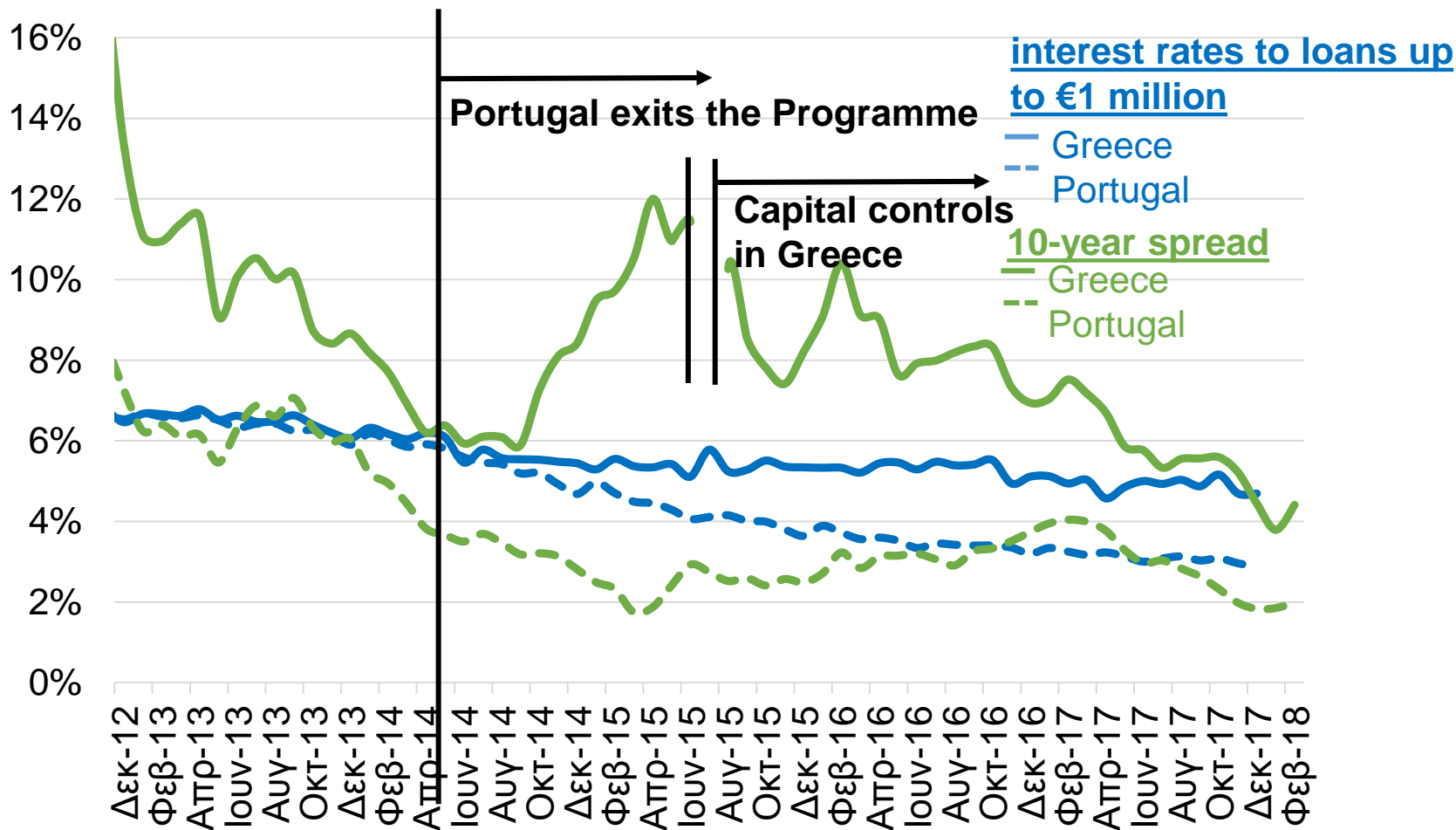
# Long term investment barriers



Source: EIB Group Survey on Investment and Investment Finance.

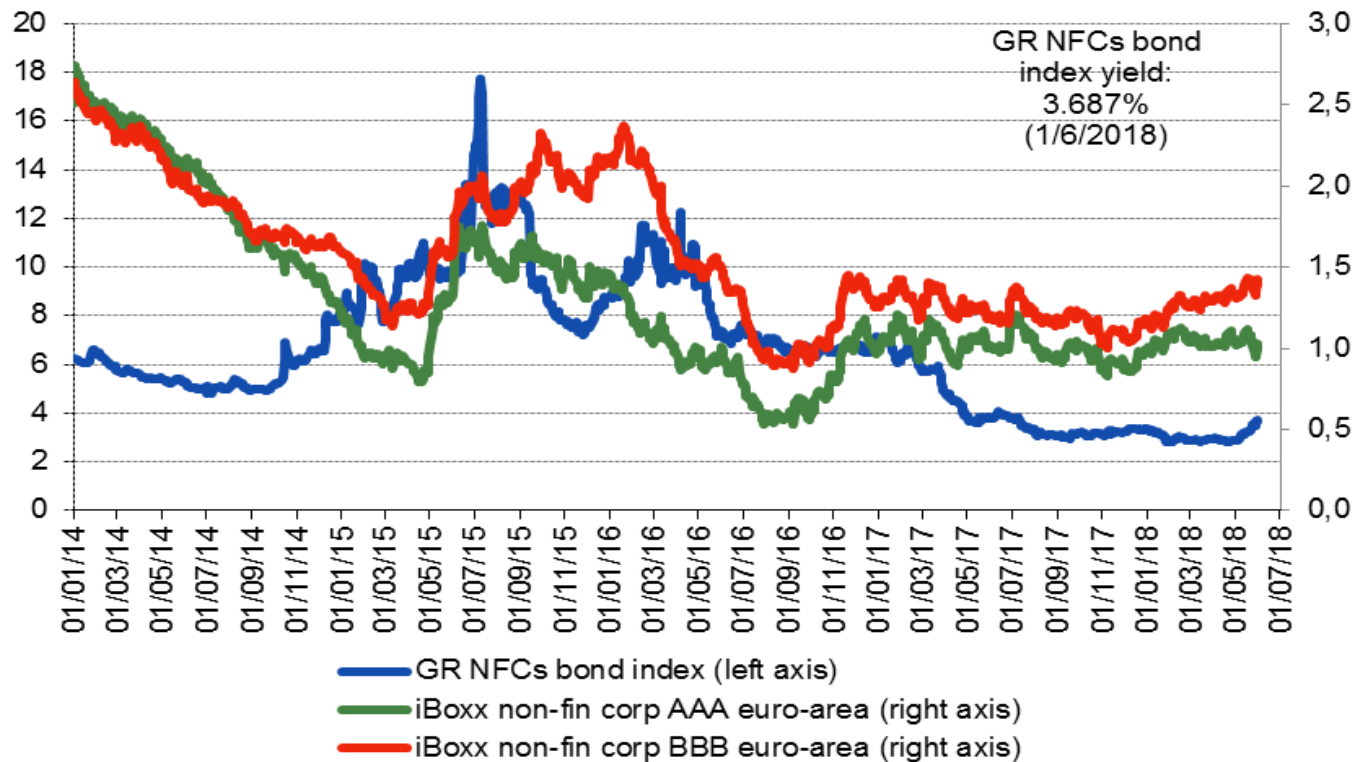


# Bank interest rates of new loans and 10-year spread: Greece and Portugal



Source: SEV, Weekly Economic Brief, 8 March 2018 (in Greek).

# GR NFCs bond index & iBoxx indices for EA non-financial corporate (daily data; yields in percentage points)



**Source:** (GR index) Bank of Greece; (iBoxx indices) Thomson Reuters, Datastream.

# EBRD in Greece: portfolio development (June 2018)

- ✓ Priority 1: Support the resurgence and enhance the resilience of the private sector through a shift to a more export-oriented growth model
  - ✓ Priority 2: Support the stabilisation of the financial sector and deepen intermediation to unlock private sector access to finance
  - ✓ Priority 3: Support private sector participation and commercialisation in the energy and infrastructure sectors to enhance regional integration and improve quality of utility services
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- Total investment: 1,739m
  - Cumulative disbursements: 1,207m
  - Total no. of projects: 34
  - Cumulative Approved Volume: 2,767.8m
  - Pipeline: 1,398m (31 projects)
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- ❑ Majority of Bank-supported corporate clients have reported improved performance, in three cases surpassing anticipated results despite continuing challenging market conditions.
  - ❑ Launch of Advisory for Small Business in March 2018: advisory contracts over two years to provide tailored support to SMEs as well as training and other sectoral support - welcomed by the banks and PE firms with which EBRD works.