

GREECE

EBRD ANNUAL MEETING – Sarajevo, Bosnia and Herzegovina, 8-9 May 2019
Statement by Mr Yannis Dragasakis
Deputy Prime Minister and Minister of Economy and Development of the Hellenic Republic
Governor

Mr Chair, Mr President, Ladies and Gentlemen,

First of all, I would like to thank the Government of Bosnia Herzegovina for hosting EBRD's 2019 Annual Meeting. The timing of our meeting in the historic city of Sarajevo is excellent as this is a period of optimism for growth prospects in the Western Balkans.

Greece has always been supportive to policy initiatives aiming at economic development and closer integration of the Western Balkans with the European Union and the Greek business sector has proved to be a reliable partner in these neighbouring markets. In our view, there are positive prospects for mutually beneficial cooperation in the energy sector and in cross-border infrastructure and complementary activities with anticipated improvement of market conditions and regulatory frameworks of the neighbouring countries.

The economic environment in EBRD's Countries of Operation is both fundamentally and strikingly different from recent decades due to the rebalancing of the world economy, slowing productivity, increasing volatility at the country level, limited availability and geographical concentration of bankable projects. From the supply side, new players have entered the market benefitting from liquidity conditions and access to localized information while leveraging government initiatives and guarantees. From the demand side, the incentives structure is changing with the emphasis on Sustainable Development Goals and increasing access of corporates from emerging markets to international capital markets.

I am pleased to note that despite these challenges, EBRD has implemented the following initiatives. First, in response to pressures on revenues and declining profitability, EBRD is implementing a more sophisticated approach on the profitability on new business while considering the delivery of transition as a dimension of equal importance. Second, the introduction of better structured project development processes with the substantial reduction of duplication and the collapse of unnecessary processes. Third, EBRD has introduced programmatic activities in green economy and in co-investment platforms. We support these developments and we endorse them as best practice examples of modernization efforts in Multilateral Development Banks.

Allow me to turn to EBRD's activities in Greece. I would like to start by thanking all shareholders for the unanimous approval of the extension of EBRD's investment activities in Greece to 2025. The message to investors in Greece and abroad is that the EBRD is available for medium-term investment ventures. Experience so far confirms that the business model, the skills and the products and services of the EBRD have been very relevant to the challenges facing the Greek economy. EBRD has delivered impactful investments in the banking sector (recapitalization, trade facilitation, covered bonds, NPLs), co-financed investments and supported the introduction of capital markets solutions for Greek corporates, engaged extensively in energy sector projects and started working with export-oriented SMEs. The Bank's operations to date in Greece are seen by private sector stakeholders as a success, providing much needed investment capacity.

We consider EBRD as a strategic partner for economic recovery in Greece and we are looking forward to a more ambitious EBRD engagement in Greece. There is much more for the EBRD to do to re-energise growth in Greece and further support the revival of the economy and private sector development. Allow me to point out that the proposed volume for Greece in the EBRD Strategy Review is below market potential, disproportional to the size of the country and to the needs of the Greek economy. To the extent that this scenario is going to have implications on the allocation of Greece-oriented resources for new business origination, we consider this target as a constraint to the mobilization of valuable resources that the EBRD is well positioned to provide in support of economic recovery in Greece. We have provided detailed evidence and analysis on the investment gap in the Greek economy, the negative implications of credit constraints for private sector investment and the scope for meaningful investments in Greece, in line with the mandate of the EBRD for economic restructuring and transition. We also explained in detail the need to recalibrate EBRD's analysis of the unique challenges that the Greek economy is facing, especially with respect to resilience, competitiveness and integration. Further consideration of these facts will contribute to an evidence based understanding of the needs of the economy and the justification for the proportional mobilization of EBRD's products and services in Greece in the course of the Strategic Capital Framework for 2021-2025.

EBRD's 28th Annual Meeting takes place at a critical juncture for the future of the Bank. All the shareholders share the view that EBRD is not a "sunset bank" and we are about to initiate a constructive dialogue on the modalities of adjustment to this new reality for the future of the EBRD at the Annual meeting of 2020. I am of the view that the proposed Resolution provides the appropriate framework for the analysis of options while taking account of development in the European Financial Architecture. We will actively participate in this debate at the Board of Directors level in line with the following operational principles and strategic considerations. At the operational level we would expect that the Bank will utilize the new transition concept for the assessment of funding needs and the selection of investment projects in current and potential future Countries of Operation. Also, the assessment of funding needs at the country/sectoral level needs to become increasingly driven by data assessment in a more granular way. At the strategic level, our suggestion is to carefully consider medium term market trends (financial systems segmentation in Countries of Operation, monetary policy normalization and repricing of assets, country specific volatility and anticipated pro-cyclical supply side responses to sluggish growth) and transition challenges (good projects vs transition reversals, the static nature of Transition Qualities and the narrow definition of resilience as a transition quality) in order to develop an incremental approach towards further expansion in new activities that will promote economic integration, at first instance with Mediterranean countries, and the financial sustainability of the EBRD.

Our expectation is that EBRD will preserve its unique character as a demand driven Multilateral Development Bank delivering better products and services in response to the needs of its clients and enhanced transition impact to its shareholders.

Thank you for your attention.