Anthony Bartzokas Interview to Kathimerini (9 June 2020)*

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The EBRD stands ready to participate in bond issues and other investment initiatives by local business groups in Greece, with its total investment, after the implementation of initiatives in response to the coronavirus crisis, expected to exceed 4 billion euros. This was highlighted by the Alternate Director of the Bank's Board of Directors, Anthony Bartzokas, in an interview with "K". According to Mr Bartzokas: "Greek companies with high productivity, as well as the systemic banks, thanks to the experience and know-how they have gained from the previous crisis, are able to cope more easily and absorb the liquidity shock created by the coronavirus crisis."

What investment initiatives has the EBRD launched in Greece to tackle the economic downturn because of the pandemic?

The sudden stop of economic activity is negatively affecting corporate liquidity and may delay the recovery of the economy and cause misallocation of resources. In order to address these challenges in a timely manner, the EBRD approved 160 million euro funding to the Public Power Corporation for working capital, agreed to work with the Greek Government in the process of building and implementing Public-Private Partnerships and will update the priorities of the private equity funds in which it participates. Emphasis will also be placed on the transition to a sustainable economy by preparing "Just Transition" programmes for coal depended regions and preparing a programme to support the issuance of green corporate bonds in Greece.

At the same time, a number of the Bank's activities are adapting to the new developments: the technical assistance programme for small and medium-sized enterprises is expected to respond to new challenges, the duration of export guarantees is extended to three years, companies already working with the Bank will be able to access short-term financing and the EBRD is ready to participate in bond issues by local business groups.

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Based on the international experience of development banks, are there any additional measures to deal with the crisis which can be implemented in Greece?

There is a rich body of knowledge that could be used. I would like to mention four potential areas:

(i) The de-globalization trend at the international level is combined with a renewed interest of developed countries in international development banks because it is expected that they can, to some extent, reinforce economic integration processes with private sector investment. Greek companies are looking for support to their international activities due to the stagnation in domestic demand and it is up to the Greek authorities to facilitate available opportunities.

(ii) The main trend in international capital markets in response to uncertainty is the shift of investors to safe assets. This development will reduce the resources available for investment in energy and infrastructure. The risk-sharing techniques in infrastructure projects and the ability to link investment vehicles to future revenue flows are not unknown in the Greek market and their eligibility to support investment recovery could be strengthened.

(iii) With regards to financing the real economy, we have seen a shift in the policy mix from guarantees to targeted credit expansion. The comparative advantages of the second option are the greater degree of utilisation and the possibility to promote economic restructuring processes towards activities of above average productivity.

(iv) Crisis management is increasing the importance of real-time high, frequency data, relevant to the implementation of business support policies during the crisis. Countries that have adopted similar practices in the past are now well equipped to roll out targeted crisis response initiatives. The added value of this parameter for Greece will become evident very soon, during the negotiation of the recovery plan for Europe.

What is your assessment of the investment gap in the Greek economy?

As you know, in the public debate in Greece we usually talk about an investment gap of 100 billion euros and the need to adopt a "new development model". I suggest that we start the other way around: from the consensus view of economic forecasts. For 2020, a reduction in fixed capital investment of at least 25% is anticipated. Then, the medium-term estimates suggest a gradual increase in investment, without major deviations from Eurozone trends. Furthermore, for a realistic estimate, we need to consider the investment hysteresis caused by debt accumulation and the negative impact of risk transfer to the banking system. This scenario can be improved in two ways. First, by transferring resources to activities with higher income multipliers and higher productivity. Given the limited fiscal space, this option can only pay off with private capital leverage and greater efficiency in the utilization of European Union funds. The second way is to support the recovery of investments with a practical spirit and a business-oriented approach. New funding structures can increase strategic investments. The improvements of market conditions and the removal of disincentives can improve the prospects of small and medium-sized enterprises. Resilient businesses that have emerged from the crisis are looking for new markets and could respond favourably to targeted growth incentives for innovative products. Long-term capital inflows will depend on the availability of local pools of investable assets with sufficient creditworthiness and favourable benchmarking in comparison to peers. There are three sectors of the economy (energy, transportation, and digital economy) that can play the role of drivers for investment recovery if long term financing will become available for investment opportunities induced by the necessary structural reforms.

What is your overall assessment of five-years of EBRD investments in Greece?

With the implementation of crisis response initiatives, the accumulated investments of the EBRD in Greece will exceed 4 billion euros in more than 70 projects. These investments are in line with sound banking principles and are intended to address problems related to funding gaps, the normalisation of risk pricing after the crisis and the crowding in of private investors with reasonable expectation for profitability.

Up to now, the EBRD has played a key role in supporting systemic banks, participating in corporate bond issues, large-scale co-financing projects, and supporting investment needs in the energy and privatisation sectors. Initiatives such as foreign trade guarantees and the targeted technical assistance programme for exporting companies have also come to meet long-term needs with a positive response from the market.

The successful operation of the EBRD in Greece is a testament of the need and the feasibility of market-based solutions for investment recovery. If we consider that the EBRD's investments are private sector oriented, with an estimated threefold capital leverage, we can conclude that untapped opportunities are at the disposal of policy makers for investment recovery in the Greek economy.

Is this crisis an opportunity? Are there sectors that can benefit from the crisis?

The economists' views on the impact of the crisis are continuously being revised, depending on the duration and intensity of the pandemic.

The short-term problems of the Greek economy are in the tourism sector and the broad-based recession in the real economy. The good news is that in the face of an unprecedented liquidity crisis, Greek companies and the systemic banks have acquired valuable know-how of liquidity management and survival in periods of complete cut off from international markets, during the sovereign debt crisis. This observation is confirmed by a recent World Bank study, which found that Greek companies with high productivity can more easily absorb a liquidity shock in comparison to peers in countries with similar level of development. Also, recent market reports have emphasized the successful response to the pandemic as an indication of improved policy capacity when they are assessing the prospects of the Greek economy.

The speed of recovery after the pandemic is an issue of concern for rating agencies. It is now common knowledge from the international experience that after previous crises the structural scaring and other legacy issues that have accumulated from prolonged recessions have been underestimated and are causing delays in investment recovery and stagnation in economic growth. The new normal after this crisis will include changes in consumer behaviour, radical restructuring of tradable services, expansion of the digital economy and policies to strengthen the green economy and healthcare services. A services economy like Greece, could take advantage of these challenges, while making the most of the opportunities that will become available from investment incentives for economic restructuring within the European Union.