

GREECE

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Statement by Mr George Stathakis

Minister of Ministry of Economy, Development and Tourism

Governor

Mr Chair, Mr President, Ladies and Gentlemen,

Allow me to start by thanking the City of London and the UK Government for hosting the Bank's twenty-fifth Annual Meeting. We are very pleased with the record of achievements and the hard work of the EBRD staff during all these years.

For 25 years EBRD has facilitated transition and economic restructuring with private sector participation. The traditional area of the Bank had one of the highest growth rates in the world during the last two decades up to the financial crisis, with an extraordinary success in the transition process in a large number of countries based on technology transfers from developed countries. Since 2008, economic recovery trajectories in transition economies have been diverging, to the benefit of countries with above the average productivity, innovation and access to new markets. Some of these countries were additionally aided by the energy price boom of the same period too. However, the catching-up process is mostly over, unless major reforms and a realignment in the global economy takes place. With the expansion to new countries of operation, the transition challenges in these countries go beyond the creation of free market institutions towards the creation of a more appropriate environment for economic reform and growth.

The economic environment within which EBRD will have to operate in the coming decade has four features which are fundamentally different from recent decades:

- (a) **Stagnating productivity**, due to the slowing down of technological transformation, institutional inertia and risk-averse investors,
- (b) **Rebalancing of the world economy**, as the process of the manufacturing transfer to Asian economies decelerates due to decreasing marginal returns,
- (c) **Exogenous challenges**, such as political risk, commodity prices, currency depreciation and regression in transition, and
- (d) **Increasing volatility, limited availability and geographical concentration of bankable projects.**

In our view, the role of EBRD as a long-term investor which focuses on the recovery of corporate investment, on new markets and on enhancing productivity conditions is absolutely essential. However, the adverse economic environment makes the implementation of market reforms and the identification of bankable projects a quite

challenging and difficult task. In addition, in several countries the interventions of private institutions and the EU attempts at restoring confidence have exhausted their potential. So there is clear need for a better focused investment agenda, which should take into consideration the overall market conditions.

In response to these challenges a new approach that enhances markets and enables growth is needed. In some countries this certainly involves wide-range policy reforms in addition to a complementarity of projects; of course the above require substantial efforts for the whole process to be initiated. The transition impact methodology should contribute to our understanding of the best practice which subsequently can be used to assess transition progress as experienced by countries of operation. Thus, regular updates of the transition concept are welcomed as they enhance our understanding and benchmarking of transition dynamics.

Greece is an EBRD country of operation for the last 14 months, and a fully operational Resident Office was inaugurated on 1 March 2016. The EBRD engagement in Greece so far demonstrates the compelling challenge to reactivate credit and investment capital channels in the Greek economy. The Greek Government considers EBRD a strategic partner in our efforts to facilitate investment recovery in Greece and we are pleased to see that this is one of the core objectives of the proposed EBRD Country Strategy for Greece. Let me underline the importance of 2016 as a year critical for the success and the effectiveness of EBRD's work in Greece, in parallel to the implementation of the agreed structural reforms and the revitalisation of the Greek economy. It is our strong belief that an ambitious, front-loaded EBRD investment plan, as envisioned in the EBRD Country Strategy of Greece, will facilitate the much needed catalytic impact of EBRD's activities in Greece; these activities will aid Greece in responding successfully to urgent and severe constraints in trade finance, SME financing, access to capital markets and project structuring. The Greek authorities expect an EBRD engagement in Greece which will take into consideration the size of the country, the extent of the funding gap for private sector investment and EBRD's investment risk standards for countries with a similar risk profile.

Let me take this opportunity to congratulate your team -and you personally Mr President- on an impressive financial performance in 2015 and for the well-deserved award of the Global Multilateral of the Year. EBRD delivered record levels of investment and had vital transition impact in a challenging economic environment. In a difficult year, with extensive capital flows from emerging economies, EBRD intensified its efforts to introduce new investors to its regions either with standalone transactions or with the successful structuring of new investment platforms for equity investment and green economy initiatives. Finally, we welcome the fact that in response to market volatility and elevated regional risks, EBRD enhanced its risk management capacity and took concrete steps towards further strengthening the financial sustainability and the process of endogenous capital growth of the Bank.