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Chapter 4
Operations in Greece and Cyprus

Introduction

In 2010, as the EBRD regions slowly appeared to be pulling out of the worst downswing since the collapse of communism, another threat was looming that would put emerging Europe’s recovery back on hold.

Just like the crisis that erupted in 2008, which was an import from the more advanced west triggered by problems in the US mortgage market, so the new threat came from the countries of the eurozone: western European nations using the euro as their common currency.

A debt crisis was emerging that would engulf Cyprus, Greece, Ireland, Italy, Portugal, and Spain. It would fundamentally divide the currency bloc, pitting the eurozone’s periphery against its more fiscally rigorous core, which included nations like Germany and the Netherlands.

Tensions within the zone escalated and for some time threatened to blow the whole currency system apart, barely more than a decade after it had come into existence. As the closest and largest export market for many EBRD countries of operations, the threat of a break-up of the eurozone was unwelcome news so soon after the previous global shock.

One unexpected outcome arising from the eurozone turmoil was that Greece and Cyprus—both eurozone members and founding shareholders of the Bank—would become countries where the EBRD was also an investor.

Governors agreed at the EBRD’s Annual Meeting in May 2014 in Warsaw for Cyprus to become a temporary recipient of EBRD funding, under the condition that there would be no more financing beyond the end of 2020. In November 2020, the Bank duly announced that investments would end.
Greece switched its status in 2015, one year after Cyprus, also signing up for a temporary, five-year period during which it would be an EBRD country of operations.

In the case of Greece, however, shareholders extended the five-year period until the end of 2025, at the request of the Greek authorities.

This was yet another departure for the EBRD, away from its original focus on the eastern European countries that rose from the rubble of communist collapse at the start of the 1990s.

The extension of the remit to Turkey and then to the southern and eastern Mediterranean region had placed the Bank in a very different geography and cultural hinterland from the post-communist eastern European states.

But the additions so far to the EBRD’s countries of operations were still very definitely emerging or developing economies. Turkey’s per capita GDP in 2010 for example was about US$ 10,750, and it was less than one-half this amount in the southern and eastern Mediterranean (SEMED) region countries.1

The move to Cyprus and Greece was a completely different proposition. GDP per capita was over US$ 31,000 in Cyprus and close to US$ 26,900 in Greece, more than ten times higher than in Egypt. Nor was the EBRD investing as it had done in, say, Poland or Hungary—richer countries that were preparing for membership of the European Union.

Cyprus and Greece were not only members of the EU but also part of the eurozone; in Greece’s case, already for well over a decade by the time the EBRD started to invest.

There were nonetheless good reasons to lend a helping hand at a time when these two countries each faced separate but grave crises of their own in the early part of the new decade. As with other EBRD recipient countries’ experiences during the global financial crisis, their lack of resilience became all the more obvious once the veneer of growth fell away and output collapsed to reveal large structural weaknesses.

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1. Greece and the Eurozone

How well-prepared Greece was for membership of the eurozone remains a subject for discussion. To a lesser extent, similar questions could be asked of Cyprus. What was certainly clear many years after their accession to both the EU and the eurozone was that both countries faced significant structural challenges.

Greece became the 10th member of the European Community in 1981, seven years after democracy had been restored to the country in 1974 with the overthrow of a military regime. It was not among the first group of 11 countries that formed the eurozone in 1999, but signed up two years later at the start of 2001.

In 2004, however, the Greek authorities admitted that Greece had joined the eurozone on the basis of figures that understated the true level of its fiscal deficit. One of the three Maastricht tests for eurozone membership—covering levels of inflation, as well as debt and deficit levels—was that the government deficit had to be below 3 per cent of GDP.

In November 2004, the government conceded that Greece’s budget deficit had not been below 3 per cent since 1999. This was an embarrassment for Greece and for the eurozone, even though Greece escaped any sanctions for failing to keep to the Maastricht criteria. After all, just one year earlier, the EU powerhouses France and Germany had also exceeded their deficit limits.

However, it was this very year, 2004, that eight former communist countries—all recipients of EBRD financing—had joined the EU. The EU8—Hungary, Poland, the Czech Republic, the Slovak Republic, Slovenia, Estonia, Latvia and Lithuania—had faced tough choices and made often painful policy decisions to bring their economies into shape for EU membership. They were frequently on the receiving end of pious sermons about the need for even more fiscal rigour as they set their sights on the next goal of joining the euro.

As economics commentator Katinka Barysch was quoted as saying at the time, the EU risked being accused of double standards as long as the European Central Bank (ECB) carried on telling the east Europeans that they had to stick strictly to the 3 per cent rule to get into the euro. “These countries will say the ECB wants them to be holier than the Pope,” Barysch said.2

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Despite Greece’s violation of the Maastricht criteria, fiscal profligacy continued and the government deficit and public debt levels grew larger.

By late 2009, the debt to GDP ratio was almost double the 60 per cent level advised under EU rules. Early the following year, when Greece was upbraided in an EU report for “severe irregularities” in its accounting procedures, the deficit for 2009 was announced to have reached 13.6 per cent of GDP, more than four times the maximum set in the protocol to the Maastricht Treaty.3

By now the ECB was having to deny reports that Greece would be asked to leave the eurozone; and austerity plans were being met with demonstrations and riots on the streets of Athens. Greece, and the eurozone, were in a deep crisis.

Cyprus

The other two countries that joined the EU on 1 May 2004 were Cyprus and Malta, another founding member of the EBRD. Both countries adopted the euro in 2008.

The seeds of the financial difficulties that were later to engulf Cyprus were sown in those four years between EU and eurozone membership. During that period, growth was strong, averaging almost 5 per cent a year, but little or no attempt was made to address pressing challenges or key structural issues on the divided island. There was for example no progress in the privatisation and modernisation of public services and infrastructure.

Among the problems that would loom large just a few years later, and where the EBRD would play its most important role, were the inadequate standards of governance and supervision in the financial sector. The banking sector was bloated, with assets equivalent to eight times GDP.

There was huge exposure to Greece, with loans outstanding to Greek residents equivalent to 130 per cent of Cyprus’s GDP by 2008, and bank holdings of Greek government bonds as high as 30 per cent of GDP.

The economy’s boom in these four years was based on high private consumption, rapid credit growth (and an associated housing bubble), and a current account deficit financed to a large and precarious extent by non-resident financial flows into the country, primarily from Russia, attracted by a low corporate tax regime and beneficial offshore euro deposit arrangements.

A heavy dependence on non-domestic financial services and the financial inflows meant the moment that the financial system globally went into a nosedive in the last quarter of 2008 there was nowhere else for Cyprus to turn. Its economy fell back swiftly the following year as its main banks took the brunt of the fall.

2. Impact of the Crisis

The turbulence in Cyprus and Greece had far-reaching consequences for both countries. The Cypriot banking sector would emerge radically changed. Greece suffered a recession of devastating proportions.

A survey conducted by the EBRD in collaboration with the World Bank in 2016 revealed that the Greek economic crisis had inflicted greater pain on ordinary people than the global financial crisis had earlier unleashed on the people of eastern Europe. Between 2008 and 2015, the Greek economy shrank by more than one-quarter. Unemployment jumped by over 17 percentage points with youth unemployment running at a staggering rate of over 50 per cent between 2012 and 2014.

Behind the figures lay an even grimmer story revealed by the *Life in Transition Survey III*. According to that poll of citizens, 92 per cent of Greek respondents said the crisis had affected them “a fair amount” or “a lot”. Some 76 per cent of respondents experienced a negative income shock, such as reduced wages or pensions, job losses, delayed or suspended wages and decreased working hours between 2010 and 2016. That compared with one in two households in the transition region and about one in three in western Europe between 2008 and 2010. Almost 44 per cent of Greek households saw their wages or pensions reduced between 2010 and 2016.

Cyprus fared better but its GDP also dropped significantly—by more than 11 per cent between 2011 and 2014. Much like a resource-rich country facing a significant commodity price fall, Cyprus’s ability to repair the damage—in this case to its financial sector—was heavily constrained (its two largest banks were insolvent), and it would take time to rebuild confidence and alternative sources of income.

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3. Problems in South-eastern Europe

Back in 2010, the problems within the eurozone were initially just a shadow hanging over what looked like a genuine bounce back in central and eastern Europe from the deepest recession in the region since the start of the transition period. Two years after the Lehman Brothers shock, things were slowly starting to look up for the region.

In an outlook published in late October 2010, the EBRD’s economists said emerging Europe was gradually experiencing a more broadly-based economic recovery. There were country variations, but the region as a whole was expected to expand by over 4 per cent in both 2010 and 2011, compared with the contraction of 3½ per cent in 2009.

Countries like Russia and Kazakhstan were doing particularly well, supported by higher oil prices, large-scale fiscal stimulus packages and banking system support. Economies in eastern Europe and the Caucasus were also benefiting from higher commodity prices, as well as a revival in remittance flows, while central Europe and the Baltics were seeing an upturn on the back of a stronger than expected recovery in western Europe.

The residual problem area was south-eastern Europe, which was expected to see another contraction in 2010. One particular threat to this sub-region was the continuing crisis in Greece where the earlier boom, predicated on low interest rates, was imploding.

Greek government bond yields were rising and would peak at around 30 per cent in 2012.

The risks to south-eastern Europe of a major spillover from Greece had been contained so far, said the economists, but warned that it still had the potential to disrupt economic activity in the region if the situation deteriorated.5

Support for Greek bank subsidiaries

Greek banks were heavily engaged in countries like Albania, Bulgaria, Romania, and Serbia. Under the Vienna Initiative, the EBRD had already stepped in to support the subsidiaries of western banks headquartered in countries such as France, Italy and Austria but active in its region.

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In the latter part of 2010, the EBRD turned its attention to the subsid-
iaries in the Balkans of the troubled Greek banking sector. In October, it
announced a package worth €630 million that was channelled through sub-

siaries of Eurobank EFG in Bulgaria and Serbia, of Alpha Bank in Roma-
nia and Serbia and of Piraeus Bank in Albania, Bulgaria and Romania.

The package for these private Greek bank subsidiaries was topped up to a total €980 million two months later, with €350 million for the bank-
ing units in Bulgaria, Romania and Serbia of National Bank of Greece. The
total financing package was divided into two equal tranches, with €490 mil-

lion disbursed at this stage.

The EBRD’s activities at this time were aimed primarily at support-
ing the economies of its existing countries of operations in south-eastern
Europe, bolstering banking units that were of systemic importance in Alba-
nia, Bulgaria, Romania and Serbia.

It was only after the crisis deepened significantly further in Greece and
Cyprus that the possibility of EBRD investment in the two countries, and
in particular the financial sector, became a reality. The final step came after
much more discussion and, in the case of Greece, a series of interim stages.

The Greek economy slid further into crisis in 2010, suffering under the
weight of market concerns about excessive government debt as a result of the
under-pricing of risk following the country’s adoption of the euro.

In Cyprus, a deep economic recession had been triggered by a banking

crisis so severe that it saw the complete disappearance of the country’s sec-
ond largest bank and a €10 billion rescue package in May 2013 by the Euro-

pean Commission, the IMF and the ECB, collectively known as the Troi-

ka.6 The EBRD’s financial institutions and restructuring expertise was the
primary reason behind the start of the Bank operations on the island.

4. Greece Turns to the EBRD

Until the crisis, Greece had been like any other non-recipient shareholder
country. There was, however, very active cooperation between Greek banks
and corporates and the EBRD in the Bank’s countries of operations.

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6 IMF Press release, 15 May 2013, ‘IMF Executive Board Approves €1 Billion Arrangement Under Extended
Fund Facility for Cyprus,’ https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr13175.
Before the crisis, there was significant liquidity in the Greek economy and companies were expanding into the Balkans. The EBRD was a natural partner. Up until Greece switched to become a recipient country, Greek firms and the EBRD had teamed up for projects worth over €2.3 billion.

Greece was an important source of foreign direct investment in the Bank’s regions. The bulk of the joint EBRD-Greek financing had gone to Albania, Bulgaria and Romania. Around one-third of the investment had been in the financial sector.

The nature of the relationship with Greece was to change, however, shortly after Chakrabarti was elected president of the EBRD in May 2012 and assumed office in July. One month into his presidency, Chakrabarti received a letter from the Greek Governor of the Bank, Development Minister Kostas Hatzidakis.

The letter raised the question of whether the EBRD’s expertise could be applied in support of an extensive Greek economic adjustment programme. Greece’s policies for restructuring its business sector had many complementarities with the EBRD’s activities and expertise, but the minister was not seeking direct investment from the EBRD in Greece: “I would like to invite you to consider the possibility of mutual collaboration on these issues, with a component of technical assistance involvement paid for by European funds, as the first phase of our joint efforts.”

The government’s priorities for cooperation with the EBRD were business development and trade facilitation instruments for the export-oriented activities of the Greek business sector and helping to promote Greece as a transportation hub.

In his reply to the minister, Chakrabarti said: “The EBRD will work with the Greek authorities, the European Commission and other IFIs to try and define if and how we can help.”

Proposals for possible support for Greece were presented to the Board at a meeting in September. They were clear that some strict principles had to be applied. There would be no use of EBRD funds and the process would depend on existing EBRD expertise and resources. In any such move, the EBRD would work in close cooperation with other IFIs and the European Union.

The EBRD could continue to help Greece indirectly by supporting Greek firms in their investments in EBRD regions, building on the long

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7 Letter from the Governor for Greece to the EBRD President, 2 August 2012.
experience it already had in financing projects with Greek sponsors in its countries of operations, especially in the Balkans.

As far as delivering finance from other sources to fund technical assistance projects was concerned, there were precedents for using non-EBRD funding for EBRD activities in countries where direct investment was not an option. The Board of Directors could apply an interpretation of the Articles that had been used first in Kosovo and then in Mongolia and the southern and eastern Mediterranean countries before they received country of operations status.

Any deployment of such funds in this way, however, would have to be “broadly compatible” with the purposes and functions of the Bank and “exceptional circumstances” had to exist to support such activity. A background paper suggested that these conditions could be met because: “The economies of a number of recipient countries that neighbour Greece would benefit from any improvement in that country, particularly in relation to inter-regional trade and cross border investment.”

Following the meeting with the Board that September, the EBRD engaged with the Greek authorities, local corporates and banks, and the EU institutions to determine the feasibility of putting together a technical assistance programme. It was especially helpful that a former Secretary General and Vice President of the EBRD had been appointed by the European Commission to head the Task Force for Greece and was coordinating technical assistance to support the Greek adjustment programme. Horst Reichenbach was uniquely well-placed to know how valuable deployment of EBRD expertise would be in the difficult circumstances of reforming Greece’s economic structures.

5. An Action Plan for South-eastern Europe

Chakrabarti went public on Greece in the first media interview of his EBRD Presidency, telling British newspaper The Times that the EBRD would send its own Task Force to Greece to offer advice on boosting private sector growth.

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8 Background paper for Executive Session, 4 September 2012.
9 EC President Barroso launched a Task Force for Greece in July 2011 to help Greece design and mobilise technical assistance for the EU/IMF adjustment programme, structural reforms and faster absorption of EU structural funds.
The new President also used that interview to raise an issue that was a particular concern for him and the Bank—the impact of the broader eurozone crisis on other large parts of the EBRD’s regions—especially in south-eastern Europe. It would become increasingly clear that the plans for enhanced cooperation with Greece would be placed in the context of the support needed by other EBRD countries of operations. In his interview, Chakrabarti said:

People talk a lot about Spain, Portugal, Italy and Greece, but not about the impact of the eurozone crisis on eastern Europe and south-eastern Europe, in particular. ... The impact of that crisis on the region is something I feel has been rather neglected in the global debate. The numbers are pretty frightening actually this year and next year in growth terms ...

Chakrabarti pushed hard to put a response to the knock-on effects of the eurozone crisis on south-eastern Europe on the agenda for the meeting of the heads of international financial organisations. Ahead of the Annual Meeting of the IMF and World Bank, held that year in October in Tokyo, The Times wrote that Chakrabarti would:

... hold discussions with other development banks over a so-called south east Europe recovery plan. The hope is to spearhead co-ordinated provision of debt and equity for banks and other companies in the recession blighted region, while readying help for struggling governments.

Erik Berglof, the EBRD’s Chief Economist, was quoted in the same article as saying:

The south east Europe recovery plan will be a major coordinated effort to help the countries that are most acutely exposed to the spill overs from Greece and the eurozone. Many are in dire straits.


12 Sam Fleming, ‘Financial big guns to support Europe’s exposed south east’.
Those October 2012 discussions in Tokyo resulted very quickly in the launch of a new recovery and growth plan by the EBRD, the World Bank and the EIB covering both south-eastern Europe and central Europe, with the inclusion of the latter region coming at the behest of the EIB.

In their joint statement, the three institutions said the new Joint IFI Action Plan for Growth, developed within the context of the Vienna Initiative, responded to the continuing impact of eurozone problems on the economies of emerging Europe. It promised €30 billion of joint commitments would be made during 2013 and 2014. It aimed to rekindle growth in the region by supporting private and public sector initiatives, including infrastructure, corporate investment and the financial sector and was modelled on the successful earlier plan that supported central European economies affected by a liquidity crisis in the financial and corporate sector in the 2008–9 period.13

The East Europe editor of the Financial Times, Neil Buckley, saw the launch as a feather in the cap for the new EBRD President, writing later that autumn:

The programme marks a considerable diplomatic success for Sir Suma Chakrabarti, new British president of the EBRD, who has lobbied for coordinated action to support south-east Europe, in particular, since taking up the job in the summer.

But what just weeks ago was envisaged as an €8bn plan to support Balkan states hardest-hit by the eurozone slowdown and problems in Greek banks has mushroomed into a programme with far greater financial and geographical scope. It is understood that the EIB, the EU’s development bank, insisted the plan be broadened to include central European countries, but in return pledged a significant increase in the financial firepower.14

The Financial Times quoted Chakrabarti as underscoring once again that some of the problems that emerging Europe was now facing were being imported from the advanced west, making the case for external support even more critical,

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While the world’s eyes are fixed on the problems in western Europe, the legitimate requirements of emerging Europe, which has staked so much in the name of economic and financial integration, must not be neglected. The EU’s new as well as its aspiring member states, especially in southern and eastern Europe, are once again suffering from problems that are largely not of their making.\(^{15}\)

### 6. Small Steps Towards Operations in Greece

When the EBRD Greece Task Force reported back to the Board in November 2012, the proposals for enhanced cooperation were put firmly in the context of the new Action Plan for South-eastern Europe that Chakrabarti had successfully pushed for at the IMF and World Bank Annual Meetings.

Management outlined the plans for continued support to Greek banks and corporates in existing countries of operations, support for cross-border infrastructure and energy investment and for trade finance.

The Task Force confirmed that the Greek economy was operating under severe credit constraints and identified the lack of trade finance as an existential problem for the Greek economy. It also envisaged potential EBRD participation as an observer in a planned Greek Institution for Growth that would lend and provide equity to Greek companies with growth and export potential but which had lost access to capital. There was continued discussion about EBRD technical assistance funded primarily by the EU.

In the discussion with the Board, management made clear that any enhanced cooperation was an integral part of the EBRD’s scaled-up support for the countries in south-eastern Europe that were most directly affected by the crisis in the eurozone, and specifically by Greece.

The proposals for support and other forms of technical assistance were consistent with and complemented the new Joint IFI Action Plan for Growth in Central and South Eastern Europe, precisely because the crisis in Greece was one of the main sources of risk in the region. Action taken in support of Greece could make a significant contribution to the stability of south-eastern Europe.

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\(^{15}\) Buckley, ‘Banks launch “action plan” for E Europe’.  

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Throughout 2013, the EBRD did indeed spend time assessing the situation in Greece and the possibilities of deeper cooperation. There was extensive consultation and information sharing with industry associations and Greek banks. And it was essentially during this period that the Bank and the Greek authorities sowed the seeds for the steps that were to be taken later and which would develop into Greece becoming a recipient EBRD country.

In terms of substance, however, not that much actually happened in 2013, partly because of a growing caution on the part of the Board and an increased degree of risk aversion on the part of management. Very few projects, either in the banking or corporate sectors, were taken forward.

The second tranche of the €980 million credit facility for the 11 subsidiaries of Greek banks in the Balkans had been put on hold after the escalation of the Greek sovereign crisis in the summer of 2011. In 2013, a decision was taken that it would not be allocated, though the Board did agree new trade finance limits for eight of these Greek bank subsidiaries and some energy efficiency projects, as well as cross-currency swap lines for subsidiaries in Serbia and Romania.

A number of corporate projects were deemed too risky and there was very little opportunity for EU-funded technical assistance activities, especially as the EU had its own Task Force in Greece, which left little space for the Bank.

The next key development came during a visit by the EBRD President to Greece and Cyprus in December 2013. Meetings were held on the fringes of a workshop on the future of the banking sector in the Balkans, jointly organised by the EBRD and the Bank of Greece.

In Athens, Chakrabarti and Development Minister Hatzidakis assessed the situation again and discussed possible ways forward. Hatzidakis publicly thanked Chakrabarti for the “major help” the Greek economy was receiving from this funding of the operations of Greek firms elsewhere in south-eastern Europe. Statements were made about funding energy projects in the Balkans, including the Trans Adriatic Pipeline, a gas interconnector between Greece and Bulgaria, and continued funding for Greek companies active in the Balkans.16

There was, in public at least, no suggestion of formalising the arrangement by turning Greece into an EBRD country of operations.

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7. Cyprus Obtains Recipient Status

During the same trip to the region, Chakrabarti met the Cypriot authorities on 16 December. They did ask about becoming a recipient country.

The Cypriot Finance Minister, Harris Georgiades, followed up the visit with a letter to the EBRD President two days later, where he expressed interest in Cyprus becoming a country of operations “for a limited period”. Georgiades said the financial crisis had brought to the surface certain fundamental structural deficiencies in the Cypriot economy. There was a very specific need to restructure and recapitalise the banking sector and for privatisation in such areas as telecoms, power and energy, and sea ports. He believed the EBRD could make very specific contributions with its transition mandate.17

EBRD staff visited Nicosia from 16 to 18 January 2014 and reported back to the Board on the challenges that Cyprus was facing, again placing an important priority on restoring the financial sector to good health. Additional areas of potential EBRD involvement lay in the delivery of privatisations, restructuring and regulatory improvements in the energy sector, enabling diversification of energy sources and promoting high-quality investments in selected strategic areas such as tourism.

The next letter from Georgiades to the President, dated 6 February 2014, formally requested that Cyprus become a recipient country of the Bank.18

The Board of Directors was broadly supportive but insistent especially on two issues. First, the temporary nature of any engagement in Cyprus had to be made clear. Equally, in taking this step the EBRD had to underscore the very specific nature of the crisis in Cyprus. This was not to set a precedent for any more countries, they implied.

There was however sufficiently broad support for the proposal to be transferred to Governors for their approval at the 2014 Annual Meeting in Warsaw in May.

Another key element in the EBRD’s potential engagement with Cyprus was that while the request had come from the authorities in Nicosia, the Bank undertook to conduct its activities across the whole of the de facto divided island, including the northern region, recognised only by Turkey.

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17 Letter to the President from the Minister of Finance for Cyprus, 18 December 2013.
18 Letter to the President from the Minister of Finance for Cyprus, 6 February 2014.
The EBRD’s work would aim to benefit both the Greek and Turkish Cypriot communities.

The intervention by the Bank came during a rare moment of optimism about a resolution of the bitter stalemate that had divided the island and its people since 1974. Numerous initiatives to bring the two sides together had been tried and failed.

On 11 February 2014, there was an apparent breakthrough, with the publication of a joint declaration from both the Greek and Turkish Cypriot leaders expressing their determination to resume structured negotiations in a results-oriented manner. The status quo was unacceptable and its prolongation would have negative consequences for Greek Cypriots and Turkish Cypriots. Their statement said:

The leaders affirmed that a settlement would have a positive impact on the entire region, while first and foremost benefiting Turkish Cypriots and Greek Cypriots, respecting democratic principles, human rights and fundamental freedoms, as well as each other’s distinct identity and integrity and ensuring their common future in a united Cyprus within the European Union.\(^{19}\)

However, hopes for a political rapprochement were dealt a heavy blow just eight months later when talks were halted after Turkey sent a ship to monitor an oil and gas exploration mission off the southern coast of the island, reflecting the strong opposition by Turkish and Turkish Cypriot representatives about moves by the Government of the Republic of Cyprus to explore hydrocarbon resources around the island.

The EBRD continued to emphasise its support for the whole country and its two communities, as well as its expectations that political unification could be achieved, even as the hopes for a resolution to the Cyprus issue would rise only to be dashed just as regularly during the Bank’s five-year engagement.

The EBRD Annual Meeting in Warsaw sealed the agreement on EBRD engagement in Cyprus, securing the strong backing of the Governors.\(^{20}\)


\(^{20}\) EBRD Press release, 15 May 2014, ‘EBRD shareholders agree to temporary financing for Cyprus’. 

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Bank of Cyprus rescue

Even before the vote on Cyprus had been taken, Georgiades made a comment that was to reflect strongly the actual outcome of the EBRD’s activities on the island. “While EBRD operations in Cyprus are expected to be on a small scale and temporary, they would be of great significance.”

The EBRD’s primary—and indeed very significant—contribution to Cyprus would in fact be rolled out very rapidly, even before the Bank had properly opened up its operations hub in Nicosia. On 29 July 2014, the EBRD announced it was investing €120 million in a €1 billion capital increase at Bank of Cyprus (BOCY).

Bank of Cyprus was the country’s largest financial institution, responsible for about 40 per cent of all banking assets, and only a year earlier it had been saved from collapse in an international rescue package and merged with the country’s second largest bank which had been liquidated in the process. Recapitalisation of the banking sector was part of the agreement between Cyprus and the Troika.

Announcing the deal, the EBRD’s First Vice President Phil Bennett said:

“This is our first investment in Cyprus and we are pleased that it allows us to apply our financial sector experience for the benefit of the country. Supporting the restructuring and recovery of Bank of Cyprus is critical for the economy as a whole. As an active shareholder, one of our priorities will be to work towards improvements in corporate governance. This successful capital raise is a positive signal to the markets, providing investors with additional confidence.”

Bank of Cyprus chief executive John Hourican called the capital raise a “turn the page” moment, while an editorial in the English-language business news site Financial Mirror referred to “a new era” for the bank.

Ironically, given the question over whether a country like Cyprus should be supported by the EBRD with its history dating back to the era of post-communist eastern Europe, the Financial Mirror’s piece had begun:

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21 Speech to 2014 EBRD Annual Meeting.
The rate at which Bank of Cyprus is witnessing successive ‘new eras’, one would think that we are a former Soviet state that has just come out of a rigid economic model and is suddenly embracing the free market system, with suitors lined up to buy anything they can get their hands on.

But, it continued,

Now, nearly three years after the bank’s foundations started to shake, BOCY seems to have at last completed its cycle and is about to embark on a truly new era, which, we hope will be an upward path and all stakeholders will get to benefit.24

The EBRD office in Nicosia was opened in December that year, in a ribbon-cutting ceremony attended by both Chakrabarti and Georgiades. Libor Krkoška, a senior banker at the EBRD, was in charge of the EBRD effort that set about building up the Bank’s investment opportunities across the island.

A year after the investment in BOCY, which had been closely followed by EBRD support for a €1 billion mortgage covered bond issue, the Bank announced it was taking a stake in what was then the second largest commercial bank in Cyprus, Hellenic Bank.25 The EBRD would also develop active support for trade finance and for small- and medium-sized businesses, rolling out an Advice for Small Business (ASB) programme in November 2015.

Unification hopes once again

The build-up to the EBRD’s Annual Meeting in Cyprus in May 2017 coincided with another heady period of expectations about the possibility of a resolution to the decades-old dispute over the division of the island. Planned new talks were seen as the best hope of an agreement for many years.

The Annual Meeting underscored the Bank’s commitment to continuing support across both the Greek Cypriot and Turkish Cypriot populated

parts of Cyprus, with events—for the first time for any IFI—held in both south and north Nicosia, despite the protocol complications of providing access for staff and delegates across the Green Line.

The EBRD publicly threw its weight behind the unification process. In his opening address to the meeting, Chakrabarti emphasised his desire to see progress in reuniting the country:

Our backing for economic integration across all our regions of operations is matched by our support for integration within the island of Cyprus itself. We have worked hard to fulfil the mandate set by our Governors to deliver projects across the whole island, for the benefit of both Greek Cypriot and Turkish Cypriot communities. The EBRD remains staunchly committed to promoting efforts towards unification.26

The President said he believed shareholders would be “strongly supportive” of extending the EBRD’s mandate in Cyprus if negotiations on reunification succeeded and he held out the prospect of greater investment to address the transition challenges in the prospective united Cyprus should this come to pass.

One memorable feature of the conference was an exhibition game of basketball by the Peace Players Cyprus, a group of Greek-Cypriot and Turkish-Cypriot boys and girls united by the sport in their drive to play together, break down barriers and build relationships across the divide.

Just two months after the Annual Meeting, however, the latest hopes for lasting peace were again dashed when talks in the Swiss resort of Crans-Montana collapsed in failure.

Achievements in Cyprus

By the time the EBRD closed its office in Nicosia at the end of 2020, it had delivered just eight projects, worth a total of just under €600 million.

Sabina Dziurman, who was EBRD director for Greece and Cyprus, was adamant that even though the number of projects in Cyprus was low, the

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26 EBRD Press release, 10 May 2017. ‘Our work “will secure the EBRD’s status as a strong and successful bank”’.

EBRD had left a lasting legacy on the island with its contribution to the Bank of Cyprus rescue.  

For Dziurman, the investment in BOCY was effectively an investment in the whole Cypriot economy: BOCY and the Cypriot economy were completely interlinked. “The fact that BOCY was rescued—and we played our part in that especially on the question of corporate governance—was a huge signal of confidence that helped the economy recover.”

The government concurred with this view and highly appreciated the EBRD’s contribution, according to Dziurman. “That came back from the Finance Minister,” she said. “He told us: ‘You were here when we needed you’.”

There were other important contributions that transcend the bare figures.

With the island’s history as a trading post, Cyprus had benefitted hugely from the EBRD’s Trade Facilitation Programme (TFP) that promotes foreign trade to, from and within the EBRD’s regions. The programme was rolled out very quickly in Cyprus and banks on the island became among its most active participants, helping the island’s reintegration into global trade flows. Some €350 million of trade support was channelled to local banks in more than 650 transactions.

The EBRD also provided crucial support for Cyprus’s small businesses, including many dynamic firms that needed better access to long-term funding and working capital or help to improve their marketing or efforts to innovate. The EBRD’s Advice for Small Business programme, backed by donor funding, supported more than 270 small- and medium-sized enterprises across the whole of the island.

There was an important contribution to the decarbonisation of the Cypriot economy, too, with support for the development of renewable energy sources. One €10 million loan for the construction and operation of five solar parks in Cyprus made significant savings in CO₂ emissions and increased photovoltaic capacity on the island by 12 per cent.

One of the problems of doing more business in Cyprus was just how difficult it was to operate in the northern part of Cyprus. Unification of the island would have opened up many more opportunities to promote a market economy in a region that was far less advanced than the south.

A breakthrough on unification would almost certainly have meant the EBRD would have extended its term in Cyprus beyond the initial five-year period.
agreement, leading to increased investment in the northern part of the island. The case would have been very strong, since at issue was the prospect of de facto a new state, with the funding needs and transition gaps very different than those at the time of EBRD’s initial mandate on the island.

There was no need for a ‘graduation’ debate or ceremony on departure as the arrangement had always been a temporary one. But the experience showed that the EBRD was adept at tackling specific problems where it could deploy its expertise, advice and capital in a targeted way to get a job done, even in an advanced European economy.

8. Towards Operations in Greece

There was no public discussion about the possibility of EBRD investment in Greece after the December 2013 talks in Athens. But the groundwork had been laid for taking the next step.

At the same time, the idea of possible direct involvement by the EBRD in Greece was becoming part of the overall response to the crisis from the European Union. A meeting of the Eurogroup in May 2014 indirectly touched on the idea—a proposal that the Greek authorities developed over the following months.

In its tour de table of various eurozone economies the Eurogroup gave a fairly upbeat assessment of the progress Greece had been making, referring to “recent positive macroeconomic developments in the Greek economy”. A Eurogroup statement acknowledged the painful medicine the Greeks had been taking to deal with their huge economic challenge. “The renewed growth prospects for Greece reflect the remarkable adjustment efforts undertaken by the Greek citizens and authorities,” it said.

The Eurogroup believed the Greek economy now had to take a new direction, with a new phase, moving from stabilisation and recovery to sustainable growth. Significantly, the finance ministers spoke openly about closer cooperation with IFIs. They did not refer specifically to the EBRD in their statement, but it opened a door to the possibility of its involvement:

We recommend Greece, in coordination with the Commission (including the Task Force for Greece) to provide an overview of external financing
and technical support available and to reflect on the potential role of relevant international financial institutions in providing their expertise and, where applicable, funds.28

Shortly afterwards, the Greek authorities mandated the Board Director for Greece to prepare a study, coordinated with the European Commission’s Task Force for Greece, of potential project-financing contributions that could be provided by the IFIs in support of the country’s reform and growth agenda.

Nikolaos Dendias, the successor to Hatzidakis as Development Minister, drew on the Eurogroup statement in a letter to Chakrabarti in August 2014. There, Dendias made clear that Greece’s structural reform agenda was incomplete and there were serious obstacles to recovery in economic areas where the EBRD could provide “valuable expertise and catalytic financial support”.

Greece had indeed benefitted from the enhanced cooperation with the Bank, with support for Greek banking subsidiaries, co-investment with Greek corporates and the EBRD’s promotion of cross-border infrastructure investments that involved Greece.

But now it was time for more. He asked the Bank to come up with an assessment of the different options for possible engagement, saying: “We would like to explore the possibility of EBRD investing directly in Greece, for a limited period of time, in order to support our programme of structural adjusted market-oriented reforms.”29

In a statement to his fellow Directors, the representative for Greece, Anthony Bartzokas, gave a more detailed explanation of the Greek position. He noted that the enhanced relationship had been positive, but only up to a certain extent. “Looking back to what has been achieved in response to this initiative it is fair to say that the outcome of the continuous engagement with Greek banks contributed to the overall stability of the banking sector in the region.”

But, he added, due to legal reasons it had been difficult for the EBRD to progress other areas, for example in trade finance, energy and transportation

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29 Letter to the EBRD President from the Governor for Greece, 11 August 2014.
infrastructure. The EIB had provided a trade finance support line in response to an assessment of market gaps provided by the EBRD, for example.

Bartzokas stressed “at that point in time” the option of direct EBRD financing had not been considered, because the general understanding was that the main challenge for the Greek economy was macroeconomic adjustment—primarily tackling its twin budget and trade deficits. This of course was an issue “beyond EBRD’s mandate and resources”.

That had however changed with the suggestion that Greece review the potential role of the IFIs, including direct financing. There was a growing realisation that the rollout of structural reforms had to go hand-in-hand with investment financing. This was still weak in Greece because of the limited access of its banks and corporates to the capital markets.

The letter from the Greek Governor was part of this review process, Bartzokas said, and a welcome opportunity for an in-depth assessment of market conditions in the Greek economy.

Some controversy

Once again, as had been the case when the EBRD started discussions on engagement in Turkey, the debate about Greece initially led to divisions within the London-based EBRD Board of Directors.

Eurozone members had thrown their weight behind EBRD involvement, but some central Europeans in the EU were concerned that another potential expansion, this time into Greece, could mean less available financing for them.

It was clear, given the size of the Greek economy, that the EBRD would have to make a sizeable engagement. For it to operate effectively in the Greek economy, investments would—as indeed became the case—propel Greece to one of the top five EBRD recipients.

Some non-Europeans were initially sceptical. The idea of a long-standing EU country such as Greece becoming a country of operations raised many issues and could signal an end to the idea of graduation for obvious candidates among central European EU countries. Their opposition also reflected Greece’s full integration within the EU and the eurozone.

Non-European critics saw the growing involvement of the EBRD in European affairs—especially in the context of an appeal from the Eurogroup of finance ministers—as an example of the Bank becoming an
instrument of EU policy. That threatened to undermine the EBRD’s broad international nature with a mandate driven by shareholders from countries that spanned five continents.

Although reservations continued to persist, further missions were sent to Greece, with another report sent back to the Board in early November.

Bartzokas, reflecting in 2020 on those earlier developments, said the consensus that ultimately developed around a decision for the EBRD to invest in Greece reflected efforts to depoliticise the debate—to draw the discussion away from issues such as graduation and to focus wholly on the specific needs of the Greek economy and simply whether or not the EBRD could make a difference.30

The criticism and vocal caution continued but was primarily part of a process to ensure that strict limitations were put on what the EBRD would be allowed to do. As Bartzokas noted: “There was a consensus. But some shareholders continued to play a tough game in order to calibrate the scope of the activities as much as possible.”

9. The Bank’s Assessment

With that, the EBRD embarked on its assessment of how it could respond to the Greek request and the Greek authorities prepared to take whatever steps were necessary to reach a political consensus with the rest of the EBRD’s shareholders.

In the report to the Board on 6 November 2014, management presented what it called a “compelling transition case to rebalance the (Greek) economy”. The transition challenges facing Greece were comparable to those in many existing countries of operations, the report said. Privatisation had advanced only hesitantly and much of the economy remained in state hands. Equity markets were limited with private investors deterred by weak standards of corporate governance. The general business climate also remained problematic in several key areas, notably in contract enforcement.

Access to finance was an acute problem, especially for SMEs, the report continued. Critical infrastructure and important sectors like energy were dominated by the state, with limited room for commercialisation and

30 Interview, January 2021.
private sector involvement. This was a major obstacle to Greece’s ambition of becoming a regional hub.

It was suggested that the EBRD’s involvement could include steps to unlock the private sector’s access to finance, including trade finance, and there would be direct support to medium to larger-sized companies and use of equity funds. It would also support the Government’s privatisation programme, particularly in infrastructure and energy, and promote private sector participation. Energy efficiency was another priority identified. The Bank could also support capital markets through involvement in the issuance of corporate bonds.

The EBRD believed its temporary engagement would assist the turnaround in the economy. The proposed $4\frac{1}{2}$ year investment period up until the end of 2020 was “short but manageable”.

The Bank envisaged a potential annual investment volume of €500 million or perhaps slightly more, resulting in total investments during the whole period of engagement of some €3 billion, though amounts would depend on the pace of reforms and might be revised down if the reform environment was “unsupportive”.

10. Greece Formally Requests Country of Operations Status

The findings from the mission were also discussed in person the very next day with by now a third Development Minister and new Governor for Greece, Kostas Skrekas, at a meeting in the EBRD’s London headquarters.

Skrekas wasted no time once back in Athens in formulating the official request to the Bank for Greece to become a country of operations. In his letter to the President, he put no specific time limit on the proposed temporary engagement, but referred to EBRD activities lasting for “only as long as is strictly necessary to help Greece address its transition challenges”.

Greece had clearly taken no chances about meeting resistance from other shareholders. The government’s soundings and the minister’s own discussions with Board members during his visit to London made Skrekas confident that there was broad support for the EBRD taking this next step.

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32 Letter from the Governor for Greece to the EBRD President, 25 November 2014.
With much of the spadework already completed with the production of the assessment paper on potential involvement in Greece, a resolution was very quickly drafted and presented to the Board of Directors. They would then vote on whether to pass the proposal to Governors for their approval.

The resolution should have gone formally to Directors on 14 January 2015, but there was a postponement after the US authorities requested more time for consideration, prompting an anxious letter from Skrekas stressing the acute need to support private investment and underpin resumption of growth in his country.

The original Board date for a decision was just 11 days before a 25 January election in Greece. One of the reasons for the call for a postponement had been political uncertainty ahead of the election.

As it turned out, the election result would change radically the face of Greek politics, end four decades of two-party rule and pitch a leftist administration into direct conflict with more economically conservative governments and authorities across Europe.

The Board remained focused on the issue at hand: making the EBRD’s help available for fundamental structural reforms to the Greek economy. Once the outcome of the election was clear, and the uncertainties surrounding it over, the Directors approved the motion at the next available Board meeting, on 28 January.

The new administration very quickly re-confirmed the commitment to getting the EBRD on board in a letter dated 2 February. Three weeks later, on 27 February 2015, the Governors’ resolution on Greece becoming a country of operations was passed.

Announcing the news, the EBRD President said:

We are very happy to be able to apply our particular expertise in the private sector to the Greek economy. The EBRD will be fully engaged to make the most of its temporary mandate in the country. By concentrating on the private sector we are seeking to actively contribute to the reform and recovery of the country’s economy.33

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33 EBRD Press release, 3 March 2015. ‘EBRD to invest in Greece’. 
A period of volatility

The Greek election provided the clarity needed to allow the EBRD to move forward, but it was a prelude to a period of extreme economic volatility that persisted for much of the rest of the year.

The election victors were the left-wing Syriza party led by Alexis Tsipras who would immediately throw down an anti-austerity gauntlet to Greece’s creditors in Europe. “Greece is turning a page,” Tsipras said on the night of the vote, “It’s leaving behind five years of humiliation and misery. ... We are putting together a government of social deliverance to carry out our programme and negotiate with Europe.”

The message to Brussels and Frankfurt, the seat of the ECB, was unequivocal: “The verdict of the Greek people ends, beyond any doubt, the vicious circle of austerity in our country.”

It was the start of frantic months in Greece, as the new government, including firebrand Finance Minister Yanis Varoufakis, bargained and battled with the EU, financial institutions and fellow European governments.

They marched many times to the brink of a precipice only to march back again. The brinkmanship included putting the terms of a bailout package to the people, winning a referendum on 5 July with a resounding “no” to austerity, only to return to the table to accept the terms of a new bailout that very same month.

The summer was spent pushing the new rescue package through parliament after which a new election was called that returned Tsipras to office, but with a shrunken majority. Varoufakis, who had resigned straight after the referendum, compared the new bailout terms to the Versailles Treaty that had humiliated and punished Germany after World War I. Feelings were certainly running high, but objectively Greece needed investment more than ever.

11. EBRD Steps In to Bolster Greek Banks

The EBRD was now free to start looking for investment opportunities. But the mood of the Board was unsurprisingly one of caution. Even under

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34 Tony Barber and Kerin Hope, ‘Syriza win throws down challenge to Europe’, Financial Times, 26 January 2015, https://www.ft.com/content/9610da8a-a496-11e4-8959-00144feab7de.
normal circumstances, proposals for relatively uncontroversial transactions such as trade facilitation were subject to intense shareholder scrutiny.

As with Cyprus, the first big EBRD investment in Greece targeted the troubled banking sector. Dziurman had taken up her position as Director for Greece and Cyprus, based in Athens, in early September 2015.

Just two months later, the EBRD announced a €250 million financing package for the country’s four systemic banks, which involved the Bank buying stakes. It was one of the most controversial set of transactions that the Bank had ever undertaken.

A review by the ECB had identified a potential capital shortfall of €14.4 billion for the four banks.

The EBRD’s funding supported a multi-billion euro recapitalisation of Alpha Bank, Eurobank, National Bank of Greece and Piraeus Bank and gave the EBRD the opportunity, as a shareholder, to play an active role, especially in corporate governance.35

At the time, Nick Tesseyman, the EBRD’s Head of Financial Institutions, described the recapitalisation of the Greek banks as an essential step towards the recovery of the country’s economy: “With our involvement we are demonstrating our commitment to contributing to this process and we will play an active role as a shareholder so that the four banks can provide the real economy with finance again.”

Dziurman recalls that between the go-ahead for the EBRD to invest in Greece and the start of those operations much had changed, not least as a result of the election of the new government and the further explosion of the country’s debt crisis.

Events in the country moved very fast between her appointment earlier in 2015 and actually taking up her position in September. There were occasional doubts as to whether the new party in power actually wanted the EBRD’s participation. Would the EBRD be investing in a country with the euro as its currency, or would it be the drachma again if Greece exited the eurozone?

Dziurman said that she and her team were starting work on the basis of an investment plan that did not reflect the changing circumstances in Greece. She was in the country, building up a team, with a pipeline that was now out of date. The country assessment for Greece presented to the shareholders before they decided to agree to EBRD investment had not focused

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35 EBRD Press release, 25 November 2015. ‘EBRD to become stakeholder in Greece’s four systemic banks’.
particularly on the financial sector, precisely the area where the EBRD had now made its first very significant investment.

The assessment had put an emphasis on the Bank helping to unlock the private sector’s access to finance and supporting private sector participation and commercialisation of infrastructure to enable regional integration and improving the quality of utility services.

“There was a lot of rejigging,” Dziurman said. There had originally indeed not been a focus on banks. “But that had changed,” she said.

By the time the first country strategy was published in June 2016, the picture looked different. Supporting the stabilisation of the financial sector was one of the strategy’s key priorities, as well as supporting private Greek companies and helping them realise their export potential. Promoting private sector participation in and commercialisation of the energy and infrastructure sectors remained a target and subsequent efforts to encourage regional integration yielded some positive results.36

In the context of private sector involvement in the energy sector, Dziurman highlights the EBRD’s role in the privatisation of the country’s gas grid operator DESFA as a major success. The EBRD took part in the bidding for a stake in DESFA in 2018. It was not part of the winning consortium, but the fact that it participated at all contributed to the success of the sale, in terms of delivering a good price for the state. “Our presence turned this into a truly competitive tender.”

12. An Extended Mandate

By 2018, the EBRD had become a very important player on the Greek market. Total investments for that year would amount to €846 million, making it the third largest recipient of annual financing after Egypt and Turkey, but the Greek government felt that the Bank could contribute beyond its 2020 remit.

A letter requesting an extension of the mandate came on 13 March 2018 from Development Minister Yannis Dragasakis. He said Greece and the EBRD could be proud of their joint achievement over the previous three years. Further,

In our view—and this view is very much shared across the political spectrum in Greece—there is still much more that the EBRD could do to help Greece address its transition challenges and assist it in the private sector investment. There is also scope for working with us, alongside other key partners, on new plans, as we develop them, to intensify the integration of Greece within the wider region of South Eastern Europe.37

The original resolution allowing Greece to become a country of operations had stipulated that any request for an extension had to be presented to the 2020 Annual Meeting. But the Greeks wanted to move faster than this. “It would be good if the Governors could make a decision already at the Annual Meeting in Jordan later this year,” Dragasakis wrote. That would have meant taking a decision in just two months in time for the meeting in May.

Chakrabarti flew to Greece in March for talks with Tsipras and other key ministers to discuss the question of an extension of the mandate. Reflecting on the progress to date, he said during the trip:

In less than two and a half years we have invested €1.6 billion in the Greek economy and Greece has become [on basis of 2017 financing figures] the fifth largest country in which we invest. This demonstrates what the EBRD can do and illustrates our commitment to the country, one of the founding members of our institution. If our shareholders agree, we are ready to work with the Greek authorities to extend our mandate to support economic recovery.38

There was a lot of back and forth between management and Board Directors about the timing of a decision on any extension. Some Directors were pointing firmly to the original insistence that an extension could not be requested before the 2020 Annual Meeting.

There was a decision at the EBRD Annual Meeting in Jordan in May 2018, but only for the Governors to ask the Directors to review the request and come back before the end of the year to seek further guidance on whether or not to extend Greece’s recipient status.

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37 Letter from the Governor for Greece to the EBRD President, 13 March 2018.
38 EBRD Press release, 27 March 2018. ‘EBRD President Chakrabarti in talks with Greek authorities’.
In its report in September to inform that review, management noted that the Bank had begun its operations in Greece in the first half of 2015 at a time of considerable turbulence in the country, culminating in the temporary closure of the banking system and the introduction of capital controls. While relative calm was restored by the second half of 2018, growth remained elusive for some time afterwards and investment and confidence levels remained subdued as Greece struggled to emerge from the crisis.

Greece had only exited its latest rescue programme a month earlier, in August 2018, and still faced important challenges. The country continued to need substantial investment that was only likely to come from external sources and reforms that had been initiated during the adjustment programme still had to be implemented. Encouragingly, as part of its new growth strategy, Greece intended to promote regional cooperation and intensify efforts to develop interconnections with neighbouring countries in south-eastern Europe. As Chakrabarti made clear in his recommendation to the Board: “Addressing these challenges is key to making Greece more resilient. It will take several years to do so effectively, and the Bank is well placed to continue to assist Greece in the three targeted areas.”

Looking back, Dziurman said the extension was clearly justified by the events in Greece as the EBRD had started its work there, and as the Bank adjusted to the changing needs of the economy and the new government settled in. “There had been delays. We had lost a bit of time out of the five years. We’d obviously managed to find opportunities and we had built the foundations that meant we could do more.”

By early December 2018, with the Governors on board, the EBRD could announce the extension. Commenting on the successful endorsement of the Bank’s further engagement in Greece until 2025, the President said:

With its investments and support for Greece so far, the EBRD has demonstrated its ability to respond quickly to the country’s economic requirements. The extension of the mandate illustrates our continued commitment. We are now ready to do more to support Greece in its economic recovery.39

Announcing the extension, the Bank referred specifically to its achievements in the stabilisation of the banking sector, its participation in the

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39 EBRD Press release, 4 December 2018. ‘EBRD extends its mandate in Greece’. 
modernisation of regional airports, a framework for renewables, the launch of a programme of support and advice for small- and medium-sized enterprises and its support for Greek banks to resolve the challenge of high levels of non-performing loans.

Dziurman adds that the EBRD engagement was very market oriented. “What we ended up doing a lot of in Greece were market transactions. We did a lot of bonds.”

With its investments in corporate bonds listed on the Athens Stock Exchange, the EBRD made an important contribution to the development of the local capital market. It also supported the access of Greek firms to the international capital markets with its participation in a number of Eurobond issues. By 2020, the EBRD had invested well over €600 million in around 20 domestic and international bond deals, worth a total of more than €9.2 billion.

In an interview with the Greek newspaper *Kathimerini* on 27 January 2019, Bartzokas underlined the reasons for a continuing Bank presence:

The EBRD’s successful involvement in Greece confirms the scale of investment needs and the feasibility of launching financing structures with sound market economics criteria that mobilize private capital and enhance the prospects for economic growth.\(^\text{40}\)

When asked in 2020 to provide an overall assessment of EBRD’s engagement in Greece, Bartzokas told the same newspaper:

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.\(^\text{41}\)

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By the end of 2020, the EBRD had invested a total of over €4 billion in Greece and had a substantial portfolio of €2 billion, overwhelmingly in the private sector.

The rapid build-up in business showed that the EBRD had repaid its shareholders’ faith in its abilities to deliver change on the ground through its investments and expert sectoral and policy advice.

Shareholders had taken on serious risks in pressing the “go” button at a time of great turmoil and economic uncertainty, but the rewards were there for all to see with good prospects of more successes to come in the future.