

E. T. M. A.

Speech delivered on November 3rd, 1964, by
Mr. Nicholas Porphyrogenis, Governor of the
Hellenic Industrial Development Bank, on the
occasion of the Luncheon given in his honour
by the Economic Counsellors of the Embassies
in Athens of the Nations that belong to the
Organization of Economic Co-operation and
Development (O. E. C. D.)

Dear Friends:

First, I would like to say how grateful I am for your very kind invitation to be your guest today. The invitation, of course, from such outstanding representatives of the co-operating nations, is rather to the Hellenic Industrial Development Bank, and is symbolic of the good will and the desire of your countries to assist in the task of accelerating the development of the economy of Greece. It is precisely in order to accelerate this effort that the Greek Government has decided on the creation of the new Bank as a central agency of its industrial policy in the widest sense of the term "industry", inasmuch as the Bank is also interested in mines, shipping, deep-sea fishing, tourism, crafts, and transport. The establishment of the Bank was effected through the merging of three organizations:

1. The Industrial Development Corporation (the I. D. C.);
2. The Economic Development Financing Organization (the E. D. F. O.);
- and 3. The Tourism Financing Organization.

The activities of these organizations will continue to be carried on within the wider frame of the new Bank's aims. The decision,

however, to establish the Bank has a much deeper meaning because it came as a result of a widely acknowledged and imperative necessity that the investment policy and the promotion and financing of industrial development should be carried on more efficiently and, of course, co-ordinated with the general planning of the Government, but with due regard to the flexible ways and criteria with which a modern banker must think and act. This is the reason why the new Bank, although fully owned by the State, and therefore vested with all the privileges of a public administration, and of governmental prestige in its activities, is nevertheless a private legal entity. Like this, it shall function as a private enterprise in the same way as all banks do, and shall not be hampered in its work by red tape and bureaucracy which, as you know, prevail in the civil services in most countries. In order to reach this specific form of the new Bank, a thorough study has been made of the conditions and experiences of the other countries where Investment and Development Institutions have been created, but the results of this study have had to be adjusted to the special conditions and peculiarities of the Greek economy.

These peculiarities do not derive only from the nature and character of the Greek, who always inclines towards individual activity and initiative, avoiding if possible team enterprises. They are also the result of the conditions which have dominated the Greek life of our generation. Actually since 1912— that is, over a period of more than forty years— the country has had to cope with conditions taxing its capacity heavily: war vicissitudes, internal strife, colossal refugee problems, successive inflations— and it was not until 1950 that it finally emerged from the last war, with its currency annihilated, its economy devastated and its banking system

disrupted. And yet the mythological Phoenix, the Phoenix of Hellas, has risen again from the ashes. Thanks to the vitality of the Greek race, and thanks to the generous assistance of the U. S. A. and the other countries of the western world, Greece has recovered her life, and indeed from year to year she shows impressive progress in everything concerning production and productivity in all the sections of the economy, such as per capita income, private and public investment, the level of savings, tourism, and so on. However, we have a long way to go before the Greek economy is able to survive in the wider European area and, further, in a world of free exchange of goods and services, which is the ultimate dream towards which humanity ~~must~~ strive.

The return of Greece to normal life, after the war catastrophes, had to be made as hurriedly as possible, and this naturally could not wait for the planning and rational organization of production. In many cases, investments were not well studied, the cost consideration was neglected, while the financing of the economy by the banks did not always follow either the principles of sound banking or the general directives of the Government on the reconstruction and development of the economy. Concerning industrial investments particularly, there was a confusion of responsibilities, functions and directives, and this resulted in a loss of time and a tangle of problems which are still awaiting speedy solution. That is why, as I said a few moments ago, the decision of the Government to set up the Hellenic Industrial Development Bank has a deeper meaning in so far as it came from the pressing need for a central agency of investment, which would help to bring private initiative and enterprise into the framework of the greater interests of the economy, and also to promote the task of public investment in such

fields as the research of mineral wealth, the creation of industrial estates, and so on. Naturally, the existing Credit Institutions in Greece, which up to the present have helped economic progress in their own way, could not, without seriously impairing their main function, support further the additional burden of financing industrial progress in all fields, particularly where a long-term policy is needed and increased risks prevail. At this point, I must mention that the Bank owes its existence mainly to the initiative of the Minister of Industry, Mr. Zigdis, and to his far-sighted appraisal of the requirements of industrial development which was so warmly adopted by the Greek Prime Minister, Mr. George Papandreu.

As you will see from the decree establishing the Bank, its aims are far-reaching and can be summarized as follows: one, providing loan and equity financing to support and promote programs of reorganization, expansion, consolidation and modernization of the operation of existing manufacturing plants and enterprises designed to promote the development of the country as well as the creation of such plants and enterprises; two, attracting foreign capital for productive investment in Greece; and three, assisting in the development of a capital market.

The Bank starts with the capital of the three merging organizations, which amounts to about 150 million dollars. This fund far exceeds the share capital and reserves of all the Greek banks put together, but the greater part of it is already invested in loans and equity participations, and so it will have to be substantially increased. This will be done by the advances from the State out of the separate budget for public investments which the Government already has in mind, and also by resorting to the domestic capital market as well as to foreign capital sources in the form of the floatation

of loans or direct borrowing. The latter could eventually be guaranteed by the Greek Government, although the soundness of our Bank and its efficiency constitute sufficient guarantee. In fact, the Bank, in the pursuit of its aim, will seek first the co-operation of Greek and foreign entrepreneurial skill, and together with foreign capital will try to benefit from technical experience and scientific progress abroad. The combination, on the one hand, of the granting of loans, and, on the other, of the participation in ventures, enhances the certainty of happy endings to development plans, and of full remuneration of the foreign capital which will seek profitable investment in Greece. There is another statement to be made: the close co-operation of our Bank with the other banks in Greece is assured by mutual interest; that is to say, by the fact that the expansion of our activities will result in an increase of the overall business of those commercial banks. Also our close contact with the public services deepens the horizons within which the foreign investor can calculate and operate profitably and successfully, the more so since he is especially protected by law, and he enjoys specific incentives to his advantage. Now, even while he is preparing the new business, an additional element appears: the positive help which our Bank will provide. The innumerable bureaucratic obstacles and nuisances which the businessman used to have to face will be eliminated and his work expedited by the vigilance and assistance of our Bank. Moreover, anyone interested in investing in Greece will find in our offices all the data and information needed. In order to facilitate the establishment of new industries in this manner, our Bank has undertaken the responsibility of the new project of the creation of Industrial Estates; that is to say, the setting up of organized zones near the major Greek centres of industrial and commercial activities,

equipped with all the public utilities, such as industrial electricity, roads, railways, docks, international telephone lines, water, sewers, and other facilities, as well as adjacent housing to attract and keep the necessary manpower. All this assures the new investor that he will have to face no more tedious problems, and he will be able immediately to establish his business in the space which he can obtain within such an industrial zone either by purchase or on a long-term lease. It is fitting here to mention another advantage of co-operation with the Hellenic Industrial Development Bank; this is the fact that the Bank does not aim at substituting itself for the private initiative, nor at becoming a holding company, because it must continuously recover the funds which it invests in order to re-invest them in new projects. So, as soon as the prospective investor wishes, it will gladly yield to him any participation or share in a joint venture in which the Bank has an interest together with other investors.

In such circumstances, the Bank hopes that in its heavy task for the development of the Greek economy, it will be able to attract the interest both of international sources of capital and of foreign investors. For the achievement of such an aim, it counts greatly on the understanding and assistance of all of you whose activities we esteem so highly, and whom we like to look upon as friends of Greece.

I thank you, dear friends, once more for your invitation and your patience in listening to me.