

OBSTACLES to FINANCING GREEK INFRASTRUCTURE

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I would like first to thank the organizers for providing me with the opportunity of fulfilling part of my intellectual responsibility: SHARING MY 40 YEARS OF EXPERIENCE IN THE FIELDS OF FINANCING, OIL AND CONSTRUCTION, in less than 7 minutes.

Let me first emphasize that Infrastructure projects achieve the best socio-economic results when they perceived, planned and executed as an integrated system rather than isolated and independent projects.

1- By INFRASTRUCTURE we mean the following categories of projects INCLUDING BUT NOT LIMITED TO:

POWER; WATER; ROADS; AIRPORTS; PORTS; RAIL;
TELECOMMUNICATIONS; THE DELIVERY SYSTEMS OF
ENERGY RESOURCES.

2- Significant commonalities impinge on their importance as well as funding.

- a) They are generally huge in size, interdependent and are long term investments.
- b) The majority of funding is basically short term.
- c) Monopoly is a shared feature and therefore requires public/private coordination. The higher the caliber of both the less is the unwarranted friction.
- d) Significant role in supporting the Human Rights of citizens i.e. the Rights to education, health and gainful employment.

- 3- The estimated value of investment in new INFRASTRUCTURE projects in GREECE by the year 2030 is likely to be in the range of 5-7 billion dollars annually, just to maintain the existing level of the Greek infrastructure stock that suffices the normal economic growth of Greece through 2030. Otherwise, the increasing infrastructure gap will most likely create further obstacles to real growth that may stifle the aspired sustained advancement improvement of the Greek ecosystem.
- 4- The value of infrastructure to the Greek ecosystem is immense particularly in terms of employment. Spending on infrastructure jobs has a reasonable size of elasticity. It plays a decisive role in enhancing the economic activity in the long run including its role as a vital element in job creation during the short term. Based on data from other developing as well as advanced economies, it is most likely that an investment in infrastructure equivalent to 1% OF GDP in Greece could create directly or indirectly around 500 thousand gainful jobs.
- 5- Ample sources of funds are also available: Public Funds, national financial and specialized institutions as well as the international financial markets and private investors. Despite the current fiscal pressure, immediate Government spending on rehabilitation of existing infrastructure is imperative to partially solve the short term employment issues and their immediate socioeconomic afflictions.
Selling Greek assets to foreign (creditors/predators) for “30 pieces of silver” may not be the same approach.
- 6- The national financial sector should also be encouraged to share in this responsibility particularly as it was and still is an important

element in the prevailing economic crisis. Otherwise, the dictum “Heads Banks win, Tails Public loses” is firmly established. Sustained economic growth including job creation is a function of spending on stream lined, well selected infrastructure projects. Moreover, the reinvestment of the accumulated wealth of Greek citizens in the infrastructure projects is an important priority. It is a practical indication of an enhanced confidence in the future of Greece by its own.

- 7- Data related to long term sources of global finance indicate the availability of ample long term funds chasing competing infrastructure projects worldwide.

A combination of public-private partnership and institutional equity investors such as insurance companies, pension funds and sovereign wealth are feasible contributory creditors. In conjunction with international specialized institutions they may render additional partial impact. Though together they may not entirely solve the funding bottle neck, they may still be able to realign the economy and employment in both the short and long run towards sustainable growth, and help in elevating the ensuing socio-political impact of the current depression.

- 8- To emphasize, there is no shortage of good infrastructure projects that seek funding. Similarly, there is no shortage of funds, locally and internationally for good projects.

The real issue boils down to one crucial precondition namely SOUND GOVERNANCE. The depreciating confidence of the potential creditors in the ability of Greece and its citizens to repay their debt has depreciated quickly. The global Financial Crisis of

2008 that was in the first place contrived and executed by the international as well as the national Banking community has managed to further diminish the appetite of the international as well as the national financial institutions for Greek investments.

- 9- The ability to attract adequate funds at this stage for socially and economically feasible infrastructure projects is more of a function of Governance than Liquidity. Governance is vital for funding at all stages of the process of the Identification, *Due Diligence* (technical, economic, financial and social analysis) analysis), Evaluation, prioritization and Selection of the projects.
- 10- Sound Governance for financiers does not stop at that stage but it continues to include *inter alia* the Implementation process of the projects (*in terms of procurement, construction and tendering methods*); Operations, the maintenance of efficient legal and Dispute Settlement systems, as well as proper evaluation of the social and economic Returns.

In conclusion Governance embodies the sum of three equal pillars

- a) Participation in the decision making process ensuring maximum involvement of the relevant authorities as well as the private sector to streamline the infrastructure projects.
- b) Transparency of performance at all times and at all levels.
- c) Accountability promptly expedited based on the results.

SOUND GOVERNANCE IS A NECESSARY CONDITION FOR FUNDING FEASIBLE INFRASTRUCTURE PROJECTS IN GREECE.