

Greek Bail-Out: 77% went into the Financial Sector

Attac investigation shows: EU crisis management policy saves banks, not the general population

Since March 2010, the European Union (EU) and the International Monetary Fund (IMF) have applied 23 tranches comprising €206,9 billion to the so-called "Greek bail-out". They have however provided hardly any documentation on the exact usage of those huge amounts of public funds. ATTAC Austria has therefore put up an investigation on the issue: At least 77% of the bail-out money can directly or indirectly be attributed to the financial sector.

The results in detail:

- €58,2 billion (28,13%) were used to recapitalise Greek banks – instead of restructuring the too big and moribund sector in a sustainable way and letting the banks' owners pay for their losses.
- €101,331 billion (48,98%) went to creditors of the Greek state. €55,44 billion of these were used to repay maturing government bonds – instead of letting the creditors bear the risk for which they had received interest payments before. Another €34,6 billion served as incentive to make creditors agree to the so-called "haircut" in March 2012. €11,3 billion were used in a debt buyback in December 2012, when the Greek state bought back almost worthless bonds from its creditors.
- €43,7 billion (22,46%) went into the national budget or couldn't be definitively attributed.
- €0,9 billion (0,43%) were used as Greek contribution to the new bail-out fund ESM.

"The goal of the political elites is not the rescue of the Greek population but the rescue of the financial sector", Lisa Mittendrein of ATTAC concludes. "They used hundreds of billions of public money to save banks and other financial players – and especially their owners – from the financial crisis they caused."

Political elites distort public view of "rescue packages"

These findings refute the position publicly taken by European politicians that it is the Greek population who benefit from the so-called "rescue packages". They are rather the ones paying for the rescue of banks and creditors by suffering from a brutal course of austerity and its well-documented catastrophic social consequences.

Billionaires and hedge fund benefit

Among those actually rescued is the multi-billion Latsis clan, one of the richest families in Greece, owning large parts of the state-rescued "Eurobank Ergasias". (1) Speculators benefited, too: During the debt buyback in December 2012, the hedge fund Third Point pocketed €500 million with the aid of European public funds. (2) "When Barroso, the President of the European Commission, labels the so-called Greek bail-out an act of solidarity, you have to ask: Solidarity with whom?", Mittendrein comments. (3)

Another €34,6 billion in interest payments

A maximum of €43,6 billion (22,46%) of the so-called "rescue packages" went into the Greek national budget. However, this amount has to be seen alongside other state expenses during the same period which didn't benefit the general population. More than €34,6 billion were yet again paid to creditors as interest payments for outstanding government bonds (2nd quarter 2010 to 4th quarter 2012 (4)). Moreover, the Greek state put another €10,2 billion into military spending (2010 and 2011 (5)). According to insiders, the governments in Berlin and Paris pressure Greece not to cut military spending because that would affect German and French arms companies. (6)

Not the first bank bail-out

"The so-called Greek bail-out turns out to be another bail-out for banks and wealthy individuals", Mittendrein says. European banks have already received €670 billion of direct state support (not including guarantees) since 2008. (7) Still, the financial sector in Greece and all over Europe remains

unstable. This is once again proven by the recent disbursement of two more tranches dedicated to bank recapitalisations comprising €23,2 billion since December 2012.

Political elites fail to implement needed regulations...

The Greek state's haircut hit local banks so hard that the state is forced to go into debt again to save them with a billion-euro bail-out. "In the five years that passed since the financial crash, Europe's politicians have failed to regulate the financial markets and adopt a bankruptcy regime for banks. So taxpayers are still forced to help out in case of losses, while the banks' owners are getting away scot free. The governments have to stop giving this kind of blackmailing opportunity to the financial sector", Mittendrein criticises.

...and rescue corrupt Greek banking sector

What's even worse is that billions of bail-out money go to Greek banks even though some of them only meet the official conditions by resorting to dubious methods. In 2012, a Reuters report exposed the banks' scandalous practices of using a Ponzi scheme of offshore companies to shove unsecured loans on to each other. They did this to appear to still be able to attract private capital and thus meet the conditions for state recapitalisation. (8) "While the European and the Greek political elites demand blood and tears from the ordinary Greek people, they turn a blind eye to the secret deals amongst financial oligarchs, who are in fact the main beneficiaries of the bail out money given to Greece", confirms economist Marica Frangakis, a member of the Athens-based Nicos Poulantzas Institute, and a founding member of ATTAC Hellas.

Intransparent handling of public funds

"Our results reveal that the main goal of our governments' crisis management policy since 2008 has been to save the fortunes of the wealthiest. The political elites accept tremendous unemployment, poverty and misery – to save a financial sector beyond remedy. The Austrian government has taken part in this inhuman course of action for years, too", Mittendrein adds. It is furthermore alarming that those in charge at the Troika and the EFSF are barely documenting their handling of public funds. "It is a scandal that the European Commission publishes hundreds of pages of reports but fails to specify where the money went to exactly", Mittendrein explains. "We call upon those responsible to impose real transparency and prove who is actually benefiting from the payments."

Radical change of policy is overdue

A radical change of course is overdue in European crisis management policy. "Our governments save European banks and the wealthy with billions and billions of public funds while pretending to their voters that the money is transferred to the Greek population. This has to stop", Mittendrein and Frangakis demand. Banks "too-big-to-fail" have to be split and return to serving public welfare instead of private profits. Creditors and the rich have to pay their share of the crisis' costs while the financial sector must be severely regulated. "After three years of devastation caused by imposed austerity, Greece is in need of real rescue packages that actually reach the general population", Lisa Mittendrein concludes.

More bizarre details

Moreover, the investigation conducted by ATTAC brought to light several bizarre details of the so-called "Greek bail-out":

- Several times, EU and IMF reneged on their announcements and withheld promised disbursements by weeks or even months to put pressure on Greek democracy: in autumn 2011 to prevent a referendum on austerity policy; in May/June 2012 to raise the chances of Troika-friendly parties in the national elections. By withholding promised funds, the Troika forces the Greek government to issue short-term bonds to avoid imminent bankruptcy. Since those "treasury bills", maturing within a few weeks or months, carry a higher interest rate, this actually increases Greek government debt. This serves as further evidence that debt reduction is not the Troika's main interest, but rather a pretext to push forward the destruction of the welfare state and workers' rights.

- A tranche of €1 billion disbursed in June 2012 was primarily used to finance Greece's compulsory contribution to the EFSF-replacement ESM. Thus, the EFSF financed its own successor – yet not directly but by raising Greek government debt.
- Klaus Regling, managing director of EFSF and ESM, has switched between politics and the financial sector numerous times during his career. Before joining the EFSF, he worked in turn for the German government, the hedge fund Moore Capital Strategy Group, the European Commission's Directorate-General for Economic and Financial Affairs and the hedge fund Winton Futures Fund Ltd. Regling thus stands as a symbolic example of the intertwining between financial markets and politics which partly explains why the EU's crisis management policy is primarily aimed at saving the financial sector.
- According to its Annual Accounts, the EFSF's personnel costs amounted to €3,1 million in 2011. (9) According to media reports, 12 people worked for the EFSF in this year, (10) so an average €258.000 was spent per person. Managing director Klaus Regling allegedly earns €324.000 plus extra pay per year (11). People making these amounts of money supervise the reduction of the Greek gross minimum wage to €580 per month (€510 for youths) (12).

Background material

Three years of „Greek bail-out“: 77% went into the financial sector

A. Overview of both programmes for Greece

1st programme

Decided on: 2 May 2010 by Eurozone countries, ECB and IMF (after formal Greek application on 23 April 2010)
Volume: €110 billion (of which € 34,4 bn. were transferred to the 2nd programme later, see below)
Shares: Eurozone countries: €80 bn., IMF: €30 bn.
Disbursed between: May 2010 and December 2011
Amount disbursed: €73 bn.

Sources:(1) (2)

2nd programme

Decided on: 21 February 2012 (on the basis of decisions made on 21 July 2011) (3)
Volume: €172,6 bn.
Shares: EFSF €144,6 bn., IMF €28,0 bn. (of which €8,2 bn. after 2014) (4)
Transfer from 1st programme: Eurozone share: €24,4 bn., IMF share: €10 bn. (5)
Planned use: bank recapitalisation – up to €48 bn.
Use undecided: support of the haircut – up to €30 bn. (through the „PSI sweetener“)
accrued interest payments (during the haircut): up to €5,5 bn.
Disbursement since: March 2012
Amount disbursed transferred Eurozone share from 1st programme: €24,4 bn.
(as of June 2013): IMF share: €28 bn. (including €10 bn. transfer from 1st programme)
additional EFSF funds: €36,7 bn. (4)

B. Use of disbursed funds – detailed list

The following table gives an overview of the disbursements which have so far been made under both programmes for Greece. Unless noted otherwise, the dates and amounts regarding the different tranches of the first programme are taken from the European Commission (1), those regarding the second programme from the same source as well as from EFSF documentation. (1, 2) All additional information on the disbursements and their uses are presented with their respective sources in brackets. As the numbering of tranches is not identical in the various official sources, all subtranches of the different disbursements are included here and numbered chronologically. Dates and amounts allow crossreferencing with other documents.

The table lists all tranches with their source, date of disbursement and use. On that basis, we assign each payment to one of the following categories:

- creditors: holders of Greek government bonds who benefit from their repayment
- banks: Greek banks which are recapitalised
- state budget: funds which to the general government budget

The use of some tranches is documented by official sources. Where this is not the case, the use could mostly be traced through other sources, like media reports. In cases where this was not possible, we assume a designation to the state budget. The 77% that went into the financial sector are therefore a minimum and might be underestimated. Interest payments made to bond holders by the Greek state have not been included in the table, though programme funds have partly been used this way (see briefing text).

Disbursements and use of programme funds for Greece (as of June 15, 2013)

| FIRST PROGRAMME | | | | | | Evaluation | | Beneficiary |
|---------------------------------------|--------------|----------------|----------------|------------------|------------|------------------|---|--------------|
| Date | Total volume | Eurozone date | Eurozone share | IMF date | IMF share | | | |
| 1 st tranche | May 2010 | €20 bn. | 18.05.2010 | €14,5 bn. | 12.05.2010 | €5,5 bn. | According to the EC (3), the first five tranches were used the following way: | |
| 2 nd tranche | Sept. 2010 | €9 bn. | 13.09.2010 | €6,5 bn. | 14.09.2010 | €2,5 bn. | • €37,1 bn. to repay medium- and long-term government bonds (May 2010 – September 2011) | creditors |
| 3 rd tranche | Jan. 2011 | €9 bn. | 19.01.2011 | €6,5 bn. | 21.12.2010 | €2,5 bn. | • €10 bn. to stabilise the Greek banking and financial system via HFSF (4) | banks |
| 4 th tranche | March 2011 | €15 bn | 16.03.2011 | €10,9 bn. | 16.03.2011 | €4,1 bn. | • remaining € 17,9 bn. for the state budget | state budget |
| 5 th tranche | July 2011 | €12 bn. | 15.07.2011 | €8,7 bn. | 13.07.2011 | €3,3 bn. | The use of this tranche cannot be reconstructed. We therefore assume it went into the state budget. | state budget |
| 6 th tranche | Dec. 2011 | €8 bn. | 14.12.2011 | €5,8 bn. | 07.12.2011 | €2,2 bn. | - | |
| TOTAL 1st programme | - | €73 bn. | - | €52,9 bn. | - | €20,1 bn. | - | - |

| SECOND PROGRAMME | | | | | | Evaluation | Beneficiary |
|--|---------------|--------------------|----------------------|--------------------|------------|------------------|---|
| | Date | Total volume | EFSF Date | EFSF Share | IMF Date | IMF Share | |
| 1st disbursement | | | | | | | |
| 1 st tranche | March 2012 | €31,32 bn. | 12.03./10/25.04.2012 | €29,7 bn. | 19.03.2012 | €1,62 bn. | The EFSF share (€29,7 bn.) was part of the haircut („PSI sweetener“) and went to private creditors. (5) The IMF share (€ 1,62 bn.) is not documented, we therefore assume it went into the state budget. (6) This tranche („accrued interest“) was part of the haircut arrangements, too. It was used to repay outstanding interest to creditors. (7) |
| 2 nd tranche | March 2012 | €4,9 bn. | 12.03./10/25.04.2012 | €4,9 bn. | - | - | The largest part of this tranche (€4,9 bn.) was transferred to the Greek escrow account, which is used to repay government debt. The remaining funds (€1 bn.) were used for the state budget. (6, 8) |
| 3 rd tranche | March 2012 | €5,9 bn. | 19.03.2012 | €5,9 bn. | - | - | There is no official documentation on the use of this tranche. A later release by the EFSF indicates that this tranche was also transferred to the escrow account to repay government bonds. (9) |
| 4 th tranche | April 2012 | €3,3 bn. | 10.04.2012 | €3,3 bn. | - | - | The 25 bn. of this tranche had already been earmarked for the recapitalisation of Greek banks in the draft of the second programme. (see p. 1) The transactions were carried out by the HFSF. (10) |
| 5 th tranche | April 2012 | €25 bn. | 19.04.2012 | €25 bn. | - | - | This tranche was transferred to the escrow account designated for repaying government bonds. (9) |
| 6 th tranche | May 2012 | €4,2 bn. | 10.05.2012 | €4,2 bn. | - | - | According to news reports, 900 mio. of this tranche were used as Greece's contribution to the ESM (450 mio. each in July and October). The remaining 100 mio. went into the state budget. (11, 12) |
| TOTAL 1st disbursement | - | €75,62 bn. | - | €74 bn. | - | €1,62 bn. | - |
| 2nd disbursement | | | | | | | |
| 1 st tranche | December 2012 | €11,291 bn. | 17.12.2012 | €11,291 bn. | - | - | This tranche was used to conduct a debt buy-back. Greece bought outstanding government bonds back from creditors, mostly above market prices. ('13, 14) |
| TOTAL 2nd disbursement | - | €11,291 bn. | - | €11,291 bn. | - | - | - |

| 3rd disbursement | | | | | | |
|--|----------------------------|---------------------|------------|---------------------|-----------|------------------|
| 1 st tranche | December 2012 | €7 bn. | 17.12.2012 | €7 bn. | - | - |
| 2 nd tranche | December 2012 | €16 bn. | 19.12.2012 | €16 bn. | - | - |
| 3 rd tranche | January 2013 | €3,24 bn. | - | 18.01.2013 | €3,24 bn. | - |
| 4 th tranche | January 2013 | €2 bn. | 31.01.2013 | €2 bn. | - | - |
| 5 th tranche | May 2013 | €7,2 bn | 31.05.2013 | €7,2 bn. | - | - |
| 6 th tranche | February 2013 | €2,8 bn. | 28.02.2013 | €2,8 bn. | - | - |
| 7 th tranche | May 2013 | €2,8 bn. | 03.05.2013 | €2,8 bn. | - | - |
| SUB-TOTAL 3rd disbursement | | €41,04 bn. | - | €37,8 bn. | - | €3,24 bn. |
| 4th disbursement | | | | | | |
| 1 st tranche | May 2013 | €4,2 bn. | 17.05.2013 | €4,2 bn. | - | - |
| 2 nd tranche | May 2013 <i>pending</i> | €1,74 bn. | - | <i>pending</i> | €1,74 bn. | - |
| SUB-TOTAL 4th disbursement | As of June 2013 | €5,94 bn. | - | €4,2 bn. | - | €1,74 bn. |
| SUB-TOTAL 2nd PROGRAMME | As of June 2013 | €133,891 bn. | - | €127,291 bn. | - | €6,6 bn. |
| Disbursed TOTAL | June 2013 | €206,891 bn. | - | €180,191 bn. | - | €26,7 bn. |

C. Overview – Use of disbursed programme funds:

Funds disbursed so far:

€206,891bn.

Thereof:

Recapitalisation of Greek banks:

Creditors of the Greek state:

- min. €58,2 bn. (28,13%)
min. €101,331 bn. (48,98%), thereof:
 - €55,44 bn. to repay government bonds
 - €34,6 bn. to sell the February 2012 haircut to private creditors
 - €11,291 bn. for the debt buy-back in December 2012
 - max. €46,46 bn. (22,46%)
€0,9 bn. (0,43%)

Greek state budget:
Greek contribution to the ESM:

Conclusion: At least **77,12%** of the programme funds went directly (via bank recapitalisations) or indirectly (via repaying government debt) to the financial sector.

D. Sources (as of 15 June 2013)

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