

LESSONS FROM FINANCIAL ASSISTANCE TO GREECE – INDEPENDENT EVALUATION REPORT

**Independent
Evaluator**
appointed by the
**ESM Board
of Governors**

HELLENIC OBSERVATORY, LSE

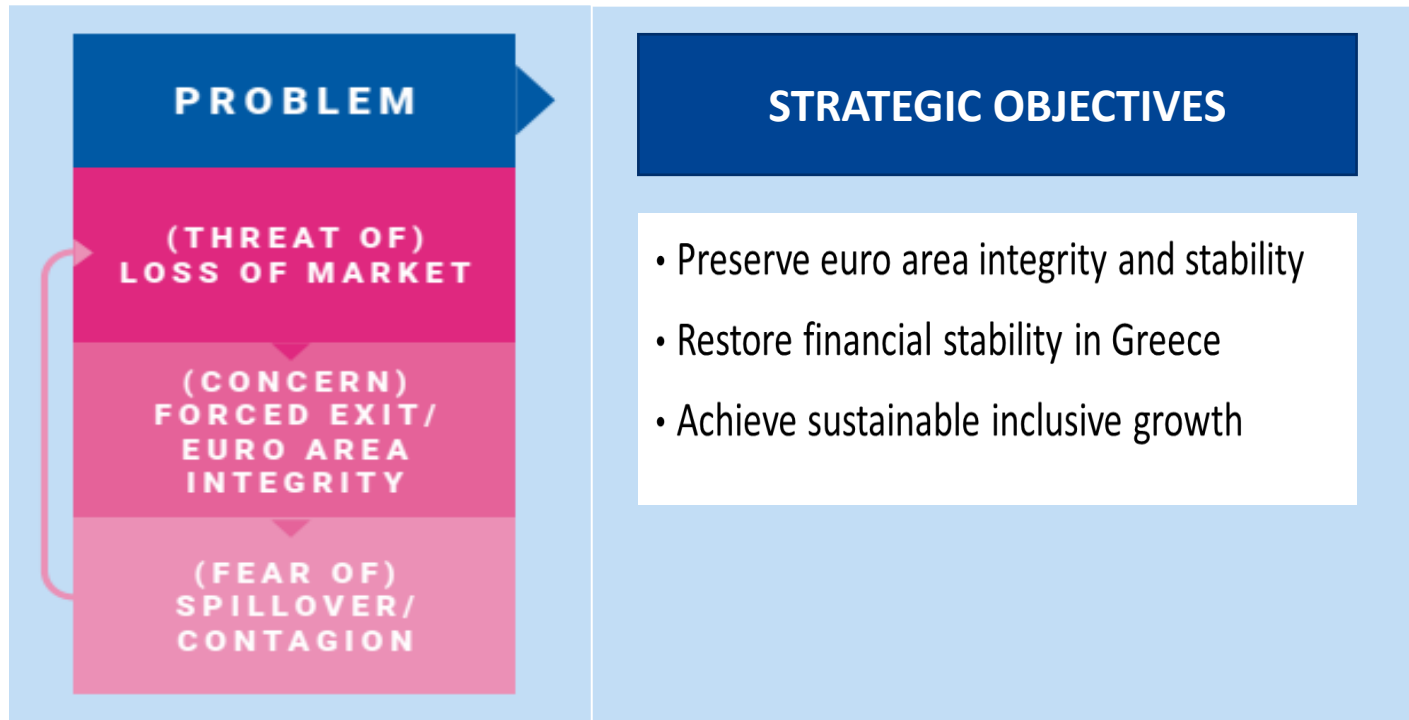
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PROBLEM AND STRATEGIC OBJECTIVES



CONTRIBUTION OF GREEK PROGRAMMES TO EURO AREA FINANCIAL STABILITY

- Preserve integrity and restore confidence in the single currency
- Evolving recognition of EMU design flaws (PSI, Banking Union, ESM)
- Limits to negative spillovers to other members
- Greater focus on banking sector issues

EFFECTS ON THE GREEK ECONOMY

- Qualified success on the stability of the economy
- Prioritisation on fiscal adjustment
- Product market reforms failed to complement labour market reforms
- Weak foundations for medium to long term growth

STRATEGIES FOR SUSTAINABLE AND INCLUSIVE GROWTH

- Stronger social safety nets only during the ESM programme
- Banking sector shock-absorption capacity remains weak

GREEK ECONOMY'S RESILIENCE TO SHOCKS

- The reform agenda is not yet completed
- Programme strategies challenged societal unity

SUSTAINABILITY

- Disagreements between Commission and IMF on DSA created difficulties for programme implementation
- Fiscal consolidation targets weighed on the growth necessary to reduce Debt/GDP ratio

OWNERSHIP

- Parties did not share diagnosis and solutions
- Lack of coordinated and comprehensive communication and advocacy

- Future ESM programmes must clearly define strategic objectives based on a long-term view.
- Growth in the beneficiary country is a necessary condition for the success of every programme.
- Programme design should derive its objectives and length from an analysis of the main problems to be tackled.
- All programmes should ensure a fair distribution of efforts across society.
- Programmes should establish a limited number of macro-critical conditions.
- Programmes should establish an appropriate sequencing of reforms.

- Sustainability assessment needs a broader focus beyond debt levels.
- Programme approval should explicitly assess exit strategy options, and a post-programme incentive structure.
- Building and improving a beneficiary country's institutional and administrative capacities require cooperation between institutions.

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POST-PROGRAMME ENGAGEMENT

- A strong and coherent framework for post-programme monitoring is needed to safeguard adjustment gains and ensure sustainability.
- ESM, and Commission, must pay attention to the role of advocacy.
- ESM must strengthen relations with the authorities of the beneficiary country, as well as with political forces and civil society.
- Develop capacities to be aware of the interconnections and potential negative spillovers with the other euro area countries.

AFTER THE EVALUATION PERIOD - THE COVID PANDEMIC

- At the end of the evaluation period in Greece was on a recovery path.
- Continued reforms in labour and product markets
- SURE and New Generation EU (plus EIB and ESM?) can provide substantial resources for Greece
- Absorption capacity? Ownership?

Positive elements	Challenges
Declining cost of finance	Fiscal space pressured by pandemic expenditure
Effort to buttress implementation capacity	Persistent unemployment
Attention to privatisation, confidence improved	Resolution of asset quality issues
	Increase investments, private and public

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THANK YOU

Joaquín Almunia

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