

Independent Evaluator Almunia on ERT TV (Greece)

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12/06/2020



**Transcript of interview with Independent Evaluator Joaquín Almunia
Broadcast on ERT (Greek TV Station) on 11 June 2020**

Interview conducted on 10 June 2020

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Evaluator
appointed by the
ESM Board
of Governors

Original language: English

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ERT: The Evaluation report on the financial assistance to Greece notes that after the end of the programmes the situation in Greece has improved, but a lot of things need to be done. Could you tell us which ones are the most important?

Joaquín Almunia: The most important challenge for the Greek economy is to grow, to have a sustainable growth path in the coming years, and if I may, in the coming decades because this is the way to improve life conditions and the social conditions for your citizens. It is the way to attract investors, both Greek investors or foreign investors and to correct the imbalances that gave way to the very high levels of debt, both public debt and private debt. With a sustainable level of debt, growth will be facilitated and the confidence of investors will increase. This is the big strategic challenge for Greece in the coming years.

Also in the report, you refer that the banking system has weaknesses. Could you be more specific and explain what needs to be done to address these weaknesses?

The report analyses what happened during the years of the second and the third programmes, the EFSF and the ESM programme, but things to be done are rooted in the past. Not only in what happened during the financial crisis but some imbalances originated by earlier mistakes. What I think now is the most important is to correct the situation of the banking system in terms of reduction of non-performing loans, allowing the banking system in Greece to contribute to the financing of the economy and in particular the investments.

The second challenge, in my view, is to develop actions and reforms, which were started during the programme period, to modernise public administration and public sector. The public sector should play a key role in contributing to the Greek growth and providing public services. But a public sector in the 21st century needs to be modern, efficient, contribute to productivity levels and increase the economy's competitiveness. And it has, of course, a very important role in providing public services and social help to the citizens in Greece. These are in my view the two most important challenges that require long-term strategic objectives and require a very broad, as broad as possible, political support and social support from the Greek political leaders and from the Greek societal leaders.

The evaluation report also mentions that after the programmes, the Greek economy has become more robust, although it remains one of the most vulnerable economies in Europe. 2020 is a very difficult year for all the countries due to the pandemic. What do you think should be done so that

the Greek economy stops being vulnerable? What advice would you give the Greek government, now that Greece will prepare a recovery plan for the use of the €32 billion , so that it does not repeat the mistakes of the past?

It's true that a challenge to correct the remaining vulnerabilities of the Greek economy is a very serious one, it is a challenge that was analysed in the evaluation report and is a challenge for the coming decades, not only for the coming years. Our analysis in the report does not take into account the present crisis, the COVID-19 crisis. But I'm sure that Greece will overcome this COVID crisis with success. In fact, in Greece the impact of COVID has been clearly lower than in many European countries. In particular in my own country or in Italy the impact was much higher than the one suffered in Greece. And the EU support to overcome the economic shock and the social consequences of the COVID crisis is a very important package that I am convinced will benefit Greece. The vulnerabilities in my view have to do with the very high levels of debt, public and private debt. And to correct this vulnerability, to make the debt service sustainable over time, permanent growth rates need to be above the ones observed a year or a year and a half before the COVID crisis. Greece needs growth and this is the best recipe to provide the platform to correct the vulnerabilities that still exist in the Greek economy even with serious improvements that were possible thanks to the implementation of the ESM programme.

Is it possible to have an agreement on the Recovery and Resilience Fund in June or July?

I very much hope that the European council that will take place in a few days, will decide on political support, clear political support for the European Commission proposals. But probably a new European Council meeting in July will be needed for the political agreement concerning the details. On top of these, together with the recovery plan proposal of the Commission, the leaders of the EU, the European Council, will need to agree on the future MFF, meaning the framework for the EU budget for the coming seven year. Because if the package goes ahead, we will need also a new agreement on the EU budget for the next period.

I very much hope that this agreement is reached. We have now the support of the most important member states of the EU - Germany, France, Italy and Spain and

others, and hopefully the divergences of some other member states, the so-called Frugals, will be overcome. Europe needs this and without this agreement, without this big political agreement, the confidence of the citizens in the future of the EU will weaken. I very much believe that Europe is needed to overcome the crisis, the health crisis, the social crisis and the economic crisis. And Europe is needed to find supporters, strong supporters, to convince the rest of the world that there is a need for global cooperation, multilateralism and for international institutions, like the United Nations, which are now under threat given the positions of the Trump administration in the U.S.

As for the ESM's Pandemic Crisis Support, so far no country has applied for it. What do you think are the main reasons? Are they justified?

There are voices that have talked about the alleged stigma of tapping the ESM for money. I think it is a wrong argument, because the conditions of the ESM facility are extremely beneficiary for all countries, even for those that go to the debt markets and find good conditions, such as the ones found by Greece in recent days. These conditions, even favourable, are not as positive as the ones offered by the ESM facility. So, I think it would be a wise decision for many countries in Europe, in the euro area, to tap this facility. I am convinced that once one country decides to tap this credit line, many others will follow because almost all countries in Europe, almost all, will benefit a lot by finding financing for 10 years at an interest rate that is close to zero.

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