

Nicola Giammarioli at the Economist Roundtable

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Speeches

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Many thanks for inviting me again this year to the Economist Roundtable. This gives me a chance to update you on the Greek programme from the ESM perspective and to discuss some next steps, as Greece is getting closer to the end of its programme.

Let me praise the organisers for choosing the motto of this panel: “reforms, reforms, reforms”. I agree that the focus in Greece should be on the reform agenda. This is the only way for Greece to reach its next three objectives: “growth, growth, growth”!

Greece needs to be commended for its reform efforts so far, which recently allowed creditors to come to an agreement on the second review of its programme. This paves the way for the disbursement of the third tranche of the programme. The ESM has always stressed the need of reforms as a condition for growth. And growth is a

key element for a meaningful discussion about debt sustainability.

Unfortunately, the debate in the past months has concentrated on debt relief too much. Policy makers, institutions and media alike seem to forget that Greece can only convince markets that it has really turned the page through programme ownership and reform implementation. The programme documentation lays out the next steps that Greece still needs to take. More hard work is required to improve the financial sector and the public administration. Also needed are privatisations (especially the functioning of the privatisation fund, the HCAP), and the further liberalisation of product markets and closed professions. The focus in the debate on debt relief distracts from such steps.

That said - I know - I cannot escape from talking about debt sustainability altogether. This is particularly true since the EFSF and ESM are Greece's largest creditor. Together, we hold more than half of Greece's public debt. First, let me remind you that Greece already received very substantial debt relief. In 2012, the private sector took a 54% haircut on virtually all its debt holdings. The public sector also provided a debt relief package. Together with the favourable lending conditions of the EFSF, this represented a reduction of the NPV value of Greece's debt of 40 percent. In addition, our low interest rates and long loan maturities represent a net saving for Greece of around €10 billion every year, close to 6 percent of GDP. That is a very substantial number.

A year ago, creditors laid out a roadmap with even more debt relief, promising short-term, medium-term and long-term measures. At the ESM we are now executing the short-term measures. These are estimated to yield a reduction of the debt-to-GDP ratio by around 20 percentage points by 2060. The medium-term measures could be implemented if it turns out that Greece's debt is still not sustainable at the end of the programme, and if it has met all reform obligations. These measures were further specified on June 15, with a range of interest rate deferral and maturity extensions for the EFSF loan, as well as with a mechanism to calibrate the measures with the dynamics of the Greek economy, which still needs to be fully developed. Finally, the possible long-term measures safeguard Greece's debt sustainability in the even further future.

All these efforts confirm that Europe and Greece are long-term partners. There can be no doubt about this. Nevertheless, the key elements for success are policy

implementation and programme ownership. This is the only way for Greece to return to the market and to put its economy on a sustainable footing.

To conclude, let me sum-up the three priorities for Greece from now on: reforms, reforms and reforms!

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