

# LESSONS FROM FINANCIAL ASSISTANCE TO GREECE

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

## INDEPENDENT EVALUATION REPORT

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# FINANCIAL ASSISTANCE ALLOWED GREECE TO STAY IN THE EURO

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Despite dire starting positions, Greek programmes managed to preserve euro area integrity, fostered financial stability, and strengthened institutions. They stabilised Greek public finances but fiscal measures weighed on growth. While various political events made adjustment drawn out and costly, attention to social needs made progress.

## • Selected successes

- Dampening outward spillovers
- Labour cost adjustment
- Protecting Greek depositors
- Reducing public arrears
- Measures to mitigate programme risks
- Intense cooperation with the Commission

## • Selected areas for improvement

- Prioritising and explaining reforms effectively
- Levelling adjustment burden
- Adapting to administrative capacity
- Ensuring common analysis and fully systematic guidance and review

## Recommendation 1

### DEFINE STRATEGIC OBJECTIVES BASED ON A LONG-TERM VIEW

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- Beneficiary country growth is a necessary condition for success.
- The programme design should derive its objectives and length from an analysis of the main problems to be tackled, including societal realities.
- Ensure conditions for sound and robust technical analyses.
- Develop analytical frameworks to satisfactorily establish and prioritise objectives.

## Recommendation 2

### DEVELOP HIGH-LEVEL GUIDANCE ON PROGRAMME DESIGN

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- Overarching policy frameworks or principles to facilitate effective and coherent programme design, review, and decision-making.
- Ensure a fair distribution of effort across society and effective social safety net.
- Maintain flexibility to deal with unintended consequences.
- Focus conditionality on a limited number of macroeconomic reforms.
- Foster an appropriate sequencing of reforms.

## Recommendation 3

### IMPROVE PROGRAMME GOVERNANCE AND SUSTAINABILITY

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- Programme governance guidelines should ensure sustainable outcomes.
- Consistent and transparent methodology should underpin conducting and presenting DSA exercises and risk assessments for the purposes of the early warning system.
- Sustainability assessment needs a broader focus beyond debt levels.
- Programme approval should explicitly assess exit strategy options and consider post-programme incentives.

## Recommendation 4

### COORDINATE PREPARATORY AND IMPLEMENTATION PHASES

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- When programme is requested, the institutions should coordinate ex ante their analyses and align assumptions.
- The decision-making process in the Eurogroup, and in the ESM Board, should facilitate an ex ante coordination.
- ESM responsibilities, and capabilities, to signal risks to future sustainability should be sufficiently robust.
- Building beneficiary country's institutional and administrative capacities that underpin sustainable long-term growth requires broader cooperation.

## Recommendation 5

### SAFEGUARDING THE ADJUSTMENT GAINS

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- The benefits of successful programme completion go beyond the beneficiary country.
- Policy advocacy as a means to complement market and peer review to preserve the sustainability of the achievements after programme completion.
- ESM management must broaden relations in the beneficiary country to support ownership.
- Focus on the interconnections and potential negative spillovers with the other euro area economies, especially those that impact the weakest.

## GOING FORWARD

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- The EFSF and ESM programmes served their main purpose, keeping Greece in the currency union and safeguarding financial stability. But a number of things could have been done better.
- Unaddressed recommendations from 2017 would also deserve to be considered in the follow-up process.
- Potential future evaluations: ESM Early Warning System, ESM engagement and communication with a broader set of stakeholders.
- Interlocutors also proposed to review ESM governance and decision-making.

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## CONTACT

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