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Interview with Klaus Regling

What is the state of Greek finances? Some sources are saying that Greece will be short of liquidity by the end of March.

We don't have a clear idea. Therefore it is important that the technical work starts (*the creditors' representatives have been in Athens since Thursday, 12 March*). Athens last week transmitted the most recent fiscal revenue [numbers] for January 2015 and they confirm our fears: the primary budgetary surplus has decreased, perhaps disappeared. On the expenditure side, the Greek government wants to present new (*humanitarian*) measures to parliament. One must check how much these measures will cost.

Would it not be possible to release in advance some loans to the country in the context of its second assistance plan?

It's up to the Eurogroup (*meeting of the Eurozone finance ministers*) to decide and the Eurogroup has clearly stated that the money cannot be released until the "review" by the institutions (*ex-Troika of creditors*) of the second assistance plan for Greece is finalised. The parties need to agree on the level of the public deficits, the primary surplus and a list of reforms to launch. It would be good if a solution could be found by the end of April at the latest. But for Greece's creditors, as well as for Greece itself, the earlier this happens the better. On the other hand, it seems obvious that this will take some time: it has been eight months since the 'institutions' have been on the ground.

Which reforms should the Greek government prioritise?

We are used to a change in government right in the middle of an assistance programme: we saw that happen in Ireland. They wanted to change the priorities. The "institutions" don't have a problem with that as long as the debt can be considered sustainable for the decade to come. Also, there needs to be a global agreement on the budget this year. As long as we stay within this agreement adjustments can be proposed and the reforms can prioritised. If we find out that the economic situation has deteriorated in Athens this could be a reason for a downward revision of the goal to have a primary surplus that was originally foreseen to be 3% of GDP this year. Not everything needs to be exactly as decided two years ago; there is some flexibility.

Do you think that the role of the ex-Troika needs to be revised?

Symbols are important and this has been taken into account. Apart from that, the Eurogroup, which represents the shareholders of the EFSF, asked the "institutions" to work in its name in order to check the reforms, the country's budget and to report back. This approach will continue. The ministers have taken the political responsibility of the decisions, but they cannot do the technical work. As the most important creditor we take part in these meetings. Our presence is going to be more systematic. We don't have the same role to play as the ex-"Troika". But we need to be aware of the latest developments in the negotiations in order to be ready to undertake funding operations on the markets. The reason for that is that we need to raise the money on the market before we can grant any loans.

Do you think there is a real risk of a "Grexit"?

"Grexit" is not a political objective. All the euro area governments want Greece to remain in the euro area. We also know that the polls in Greece show that this is also what a large part of the population wants. This is a good basis that should make an agreement possible.

Do you think there is a risk of a "Grexident"?

It's the joint responsibility of the Greek government, the institutions and the monetary union's finance ministers to avoid that an accidental exit of Greece from the euro area happens.

Will there be negotiations for a third assistance plan at the end of this review?

In principle, this is possible, the Eurogroup talked about "future arrangements" on 20 February. But Prime Minister Tsipras said that he did not want a new programme and new loans. So there is a lot of uncertainty on this point. However Europe has given clear indications on this point: if additional financial assistance is needed and if the conditions are fulfilled Europe would look favourably upon such a request.

What advice would you give to Mr. Tsipras or Mr. Varoufakis as their communication is not appreciated in Brussels and Berlin?

It is not my role to give advice to the Greek Prime Minister. At my level, I generally meet instead with the finance minister. At these meetings several people have urged Mr. Varoufakis to say that it is not possible to have a different communication in different places, that this does not help the negotiations. I think this has been understood by the Greek side. We also need to give time to this government, which was elected only seven weeks ago, to get settled in. Generally governments are allowed 100 days to do this. In the Greek case time is pressing a little.