European Stability Mechanism

"Greece's Return to Financial Markets –
The Viewpoint from the Institutions"
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- First of all let me thank the organisers for their kind invitation to contribute to this panel.
- The current debate about Greece focuses mostly on debt relief. Especially when people ask themselves what needs to happen before Greece can access markets again.
- Debt relief is the main focus of the media and the Greek authorities.
- And it is no secret that this reflects the debate among creditors, particularly between the Europeans and the IMF.

- I would like to take issue with this.
- Of course, debt sustainability is an important topic. But it would be far better if the discussion was about what Greece is doing to implement the ESM programme.
- Greece needs to be commended for its reform efforts so far, which recently allowed creditors to come to a preliminary agreement on the second review of the programme.
- Further policy reforms would benefit growth in Greece.
- The excessive focus on debt relief distracts from what really needs to happen: full programme ownership and swift implementation of the programme by Greece.
- This is what I would like to read more newspaper stories about, because this is key for Greece to come back to financial markets. Reforms are the only way to enable this.
- The best proof is that Greece came back to the market in 2014, when the second programme was about to finish.

- It had started to regain trust of investors because it was reforming its economy.

- I know I cannot escape from talking about debt sustainability and debt relief altogether. Sustainable financing conditions are needed to give confidence to investors. But hopefully I can give you a different perspective on the issue.
- First, it is worth reminding ourselves that creditors have already given Greece very substantial debt relief.
- In 2012, private sector creditors took a 53% haircut on virtually all of their debt holdings, which amounted to €107 billion.
- This was a very difficult decision at the time, but it eventually helped Greece.

- These private sector efforts were matched by a vast debt relief package by the public sector. Together with the favourable lending conditions of the EFSF, this represented a reduction of the value of Greece's debt of 40 percent in NPV terms.
- These benefits continue to sustain Greece year after year.
- Our low interest rates, and long loan maturities, represent a net saving for the Greek budget of around €10 billion every year, close to 6 percent of GDP. That is a very substantial number.

- On top of this, creditors laid out a roadmap with even more debt relief a year ago. There are three sets of measures that will be implemented if certain conditions are met: in the short-term, the medium and the long term.
- At the ESM we are now executing the short-term measures.
- The impact will – again – be significant: an estimated reduction of the debt-to-GDP ratio by around 20 percentage points by 2060. I hear very little about that in the public debate.

- The medium-term measures were agreed a year ago. They could be implemented if it turns out that Greece's debt is still not sustainable at the end of the ESM programme and if all reform obligations under the programme are met.

- The long-term measures are there as a safeguard to ensure Greece's debt sustainability in the even further future.

- Let me conclude here.
- Europe and Greece are long-term partners, historically and culturally. There can be no doubt about this.
- The time horizon of the Greece's European partners such as the ESM is very long.
- And this is best shown by the continued debt relief efforts over the years that I have just mentioned.

- The key elements for the success of the third Greek programme 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.