

# Nicola Giammarioli in interview with Ta Nea (Greece)

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**Interview with Nicola Giammarioli, ESM Secretary General  
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**A new mission is due next week, the last for you as ESM's Greece mission chief. What issues are important?**

This is a standard post-programme mission under enhanced surveillance to take stock of the reform path. We will look at budget execution, development of arrears, the financial sector, because there is still a large amount of NPLs (non-performing loans). We will see how the Asset Protection Scheme, or 'Hercules' is implemented, and focus on insolvency laws and what follows the first residence protection extension until April. We will look at privatisations, the Hellenic Corporation of Assets and Participations, pensions, labour, and healthcare.

**The ESM has always put emphasis on the arrears. Will you suggest a**

## **reduction target?**

Zero arrears was a programme target that unfortunately was not reached. There is a strong commitment by the government to reach this target and there are mechanisms in place towards this goal. This is very important. First, because we disbursed a good amount of money so the government could reduce arrears. Second, reducing arrears means more money goes to the real economy, helping growth. It is also important that new arrears aren't created.

## **What priorities would you set as crucial for the Greek government?**

The most important is to reach sustainable growth and that people see the benefits of that in their daily lives. Greece is now out of a programme, it is up to the government to define its priorities. The government has put in place a good, growth-friendly programme. It needs to follow it with actions on various fronts so it can continue reforming the economy. Also crucial is the financial sector. Banks need not only to tackle the legacy of NPLs, but also to go back to providing credit. They need to restructure their business model to adapt to changes in the financial sector.

## **When are you expecting a discussion on the possible reduction of the primary surplus target?**

First, let me underscore that the agreed targets were and are the cornerstones of the ESM programme, its debt sustainability analysis and the basis for the very generous debt relief measures granted by the European partners. Greece has always overachieved the targets, be it the current government, or the previous government and the 2020 budget is within these targets. Second, Greece, as any other country of the euro area needs to, at least, fulfil the requirements within the Stability and Growth Pact and the Medium Term Objectives. After 2022, when it no longer needs to comply with a 3.5% primary surplus, this will be more evident as everything needs to fall within the European fiscal framework. Your question is relevant given the current debate in Greece. We will look carefully at the long-term growth and interest rate assumptions of the debt sustainability analysis. Once this technical analysis is done, it will be for the Eurogroup to discuss if there is margin to change the targets.

## **Are there countries that do not view this possibility positively?**

I don't see any reluctance to look into the data and the analysis the European institutions will provide, but before the analysis you can't know what the positions will be. Again, the starting point is that the agreed and committed targets still hold.

**Is there also a possibility of reducing the targets after 2022?**

Greece committed to primary surpluses of 3.5% until 2022, and then to a primary surplus that is in line with the Medium Term Objective, at the time calculated at 2.2%. After 2022, Greece needs to stick to the European rule, as any other EU member - whatever the level of the Medium Term Objective will be.

**When is a decision expected on whether the SMPs and ANFAs can be used for investment?**

Last December's Eurogroup tasked the institutions to come up with a proposal. Greece is underspending on investment, so we need to see whether there is need for extra money. What kind of investments could be financed and if they benefit growth; how this would affect fiscal targets and debt sustainability. Since there is no SMPs and ANFAs transfer linked to the next report this could be tackled with the sixth enhanced surveillance report in June.

**Rating agencies are expected to issue new ratings for Greece. How crucial are their assessments from ESM's point of view?**

There have been upgrades recently and Greece enjoys a positive outlook. The expectation is that in the course of 2020 other upgrades will follow, provided, and this is very clear in the rating agencies' statements, that Greece continues to deliver on fiscal targets, the reform agenda, and having a positive engagement with European partners. It will be great news for Greece when it moves to investment grade. We cannot say when; it may happen this year or next year, but there is a clear path towards it, provided the government keeps the reform momentum.

**You became ESM's Greece mission chief at a difficult time. What do you remember most?**

I remember the long meetings; people were very tired, working days, nights, weekends. In 2015, I had 155 days of mission in Brussels, Athens, Washington.

Meetings took place one after the other at all levels, from technical to political. But I also remember the spirit. We all had good intentions, working hard on how to get Greece back on track. Despite what some believed at the beginning, Greece has managed to turn the page and leave the programme.

### **How close was Greece to a Grexit?**

There were moments when we were close to a Grexit. But at those crucial moments there was always someone who said “let’s try again, let’s discuss again, let’s meet tomorrow”. When the agreement was reached, in July 2015 and later in August on the MoU, this was the end of the Grexit risk, but the programme ahead was tough. Reviews were difficult. We knew decisions affected people’s lives. It’s very important to acknowledge that hardship, but we also knew that this was the right path for Greeks to remain part of the currency union.

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