
GREECE'S LENDERS SHIFT FROM AUSTERITY TO REFORMS

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The Eurogroup took a small step on Monday (20 February) towards the completion of the second review of Greece's 220 billion rescue programme, placing the emphasis on reforms over austerity to reduce the country's huge debt pile.

Emphasis will be given on deep structural reforms to win back IMF support and convince Athens to adopt new measures to complete the bailout programme review.

But the progress made with the Greek government was enough to pave the way for the return of the institutions' technical teams to Athens.

Both sides will negotiate a package of structural reforms of the tax system, pensions and the labour market, including the collective bargaining system, Eurogroup President Jeroen Dijsselbloem said after the meeting.

Given that the fiscal targets are on track, the emphasis now is on the reforms required to sustain the gains of the programme after its conclusion in 2018, he added.

Dijsselbloem said creditors are moving away from austerity and focusing more on deep reforms, which was also a key criterion for the IMF.

By adopting this shift, he expected to win the IMF's approval to return to the programme, a key condition for various countries to continue lending to Greece, including Germany.

IMF cautious, calls for debt relief

But the limited progress made was underlined by the cautious statement issued by the IMF after the Eurogroup meeting.

More progress will be needed to bridge differences on other important issues, and it is too early to speculate about the prospect for reaching staff level agreement during this mission, a spokesperson said.

These reforms should not have any negative impact on the ailing country, as Prime Minister Alexis Tsipras warned in recent weeks that Greece will not accept more austerity.

The European Commission does not believe it is necessary either. Economic Affairs Commissioner Pierre Moscovici reiterated after the Eurogroup meeting that Greece significantly overperformed its fiscal targets.

If the fiscal surplus of at least 2% of GDP registered in 2016 is confirmed by Eurostat in April, the country will have not only reached its target for 2016 (0.5% of GDP) but also for 2017 (1.75% of GDP), the Commissioner explained.

The bone of contention continues to be the sustainability of the Greek economy in the medium-term. Europeans insist that the reforms already included in the programme, together with an improvement of the debt conditions, are enough to keep the Greek economy afloat.

But the IMF stressed from the outset of the third programme that some sort of debt relief is needed to ensure the sustainability of the countrys finances.

By agreeing on a set of additional reforms to improve the countrys economic performance, without increasing taxes or requiring further budget cuts, the lenders and Greece agreed on a way forward in the negotiation.

If there is a will there is a way, and today we have seen clearly that the will is there, Moscovici said.

Elections looming in Germany

Both sides want to reach an agreement as soon as possible given that the country must pay back billion in July. The elections in The Netherlands (March), France (April and May) and Germany (September) will complicate the upcoming negotiations.

I can tell from my experience that Greece is a topic you want to avoid in a campaign, Slovak Finance Minister Peter Kazimir tweeted before the Eurogroup started.

Despite the difficulties in completing this second review, and the tense negotiations expected in Athens, eurozone ministers kept an upbeat tone.

I dont see signs of higher concern, said Italys Minister of Economy and Finances, Pier Carlo Padoan. I see and hope to see some sign of progress, he told reporters in his way into the Eurogroup meeting.

There is no risk of Grexit, added his French colleague Michel Sapin, referring to a possible Greek exit from the eurozone.

**Photo: EurActiv*

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