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COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE EVALUATION

Ex-post evaluation

of the

Economic Adjustment Programmes of Greece

during the period 2010-2018

{SWD(2023) 90 final}

Executive summary

In this Staff Working Document (SWD), Commission staff presents its views on the evaluation of the economic adjustment programmes of Greece over the period 2010–2018. The purpose of this evaluation is to assess the entire intervention over the whole period in order to draw lessons for future decision-making and identify areas of improvement in the design of future policy interventions. It is the fifth ex-post evaluation of a euro area adjustment programme and follows the completion of evaluations of the programmes of Ireland, Portugal and Cyprus as well as the financial assistance operation for Spain ([1]).

This SWD draws upon a number of publicly available studies on the Greek programmes. These include four external studies on specific topics, two discussion papers by Commission staff, and an external evaluation report prepared by CEPS, ECORYS and the National Institute of Economic and Social Research. The latter report is a key reference for this SWD and published at the same time. The main sources of evidence used to inform the external evaluation report included official programme documents, thematic background studies, legal documents, data-based economic analysis, academic literature and targeted stakeholder consultations. The overall evaluation approach followed the principles of the European Commission Better Regulation Guidelines ([2]) and assessed the effectiveness, efficiency, relevance, coherence and EU added value of the programmes. A Commission inter-service steering group oversaw the evaluation by providing information, expertise and quality assurance in line with evaluation standards.

To understand the expected outcomes of the programmes, it is important to see the economic and political context of each financial assistance programme, in which relevant policy choices were made. Following the global financial crisis 2008/09, the concerns about the fiscal situation in Greece triggered a loss of confidence and access to international financing. To avoid a major financial crisis, with severe economic and social impacts in Greece and possible spillovers to the euro area and the EU as a whole, Member States and the International Monetary Fund (IMF) agreed to provide loans as of 2010. Disbursements were subject to policy conditionality aiming to restore access to market financing. The main objectives of this conditionality were fiscal consolidation to ensure debt sustainability, the stabilisation of the banking sector, structural reforms to regain competitiveness, as well as reforms to improve the capacity and efficiency of the public administration.

The situation did not evolve as expected. A succession of three financial assistance programmes was required to allow Greece to gradually return to sovereign markets. This reflected both the depth of problems in Greece but also external factors that partly explain the underperformance of the first years. Greece also experienced recurrent protracted periods of

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([1]) All ex-post evaluations have been published in the European Economy Institutional Papers series and are available at https://ec.europa.eu/info/evaluation-reports-economic-and-financial-affairs-policies-and-spending-activities_en.

([2]) Commission Staff Working Document, Better Regulation Guidelines, SWD(2021) 305 final.

political instability that reignited uncertainties regarding the policy course, commitment to reforms and their effective implementation**.** Significant progress was made by 2018 in correcting the fiscal deficit to help restore debt sustainability, stabilising the financial sector, implementing a number of important reforms restoring competitiveness, and improving the efficiency of the public sector. However, important reforms still remained to be addressed after the exit from the programmes.

The EU intervention in the Greek sovereign debt crisis has been effective in achieving its objectives and avoiding more negative consequences. At the same time, looking at efficiency and coherence, the adjustment had high costs in terms of income and social impact. Following a painful adjustment process, the main macroeconomic fundamentals of Greece came closer again to its peers and to euro area averages. Despite the still high public debt, public finance was put on a sustainable path, and market confidence was gradually re-established. The management of the programmes, which initially suffered from a lack of trust and a weak ownership and implementation record by Greece, gradually improved over time.

An even more severe financial crisis in Greece, and its spillover to the rest of the euro area, has been avoided with the involvement of the EU and the euro area. Through their members and institutions, it was possible to deliver a substantial financing envelope for the programmes. The EU added value was also essential in supporting the design and implementation of reforms, being guided by the EU's policy and legal frameworks. In this respect, EU technical support further helped in the design and implementation of a number of structural reforms.

The outcome of the programmes remained relevant after the end of the third programme in 2018. There has been a lasting positive impact of sustainable public finances, a more resilient banking sector and a very significant package of deep structural reforms. Moreover, Greece became subject to the same regular EU economic surveillance as all other Member States. In addition, enhanced surveillance of Greece built on the Eurogroup's commitment of June 2018 to disburse debt relief measures upon the implementation of well-specified policy conditions. These arrangements proved successful, which was confirmed by the continuation of reform implementation, despite the challenging conditions of the pandemic during much of the period. Greece transited from enhanced surveillance into post-programme surveillance in August 2022.

Overall, this evaluation concludes that the economic adjustment programmes for Greece did not initially perform as expected, but their performance improved over time. Regarding effectiveness, it took a succession of three programmes with significant financing volumes over the period 2010–2018 before achieving their main objectives and gradually returning to sovereign markets. Due to the depth of problems and several adverse external factors, the initial shortcomings with a view to the programmes' efficiency and coherence became apparent in high costs in terms of economic and social impact. The main EU value added was that, because of the EU's and the euro area's financing and support for the implementation of reforms, an even more severe financial crisis in Greece – possibly spilling over to the rest of the euro area - was avoided. Regarding relevance, reforms still to be

implemented at the end of the programmes were followed up through the EU's regular economic and enhanced surveillance of Greece.

This evaluation, in conjunction with the other programme ex-post evaluations, allows drawing a number of lessons. The five financial assistance programmes of euro area Member States occurred in the aftermath of the global financial crisis and exhibited a number of common features. Whilst acknowledging these common features, each financial programme was unique and needed to be tailored to the specific needs of the country concerned, avoiding a one-size-fits-all approach. In drawing lessons from past programmes, it is important to take account of the institutional, political and administrative realities, which evolved over time and will continue to do so with the ongoing review of the EU's economic governance framework as well as the pending amendment of the ESM Treaty. The lessons learned presented in this SWD relate to the preparation, design, policy conditionality, social impact and implementation of programmes. They are also about the organisation of programme work in the European Commission, external communication, and the exit strategy from programmes.