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Debt review in Greece ends on a positive note

ATHENS

Envoys checking progress say headway has been made on demanded cuts

BY NIKI KITSANTONIS

Envoys representing Greece's international creditors on Sunday wrapped up an inspection of the country's progress in meeting the terms of its second bailout and said they would return next month for a final review to determine whether further loans are released and a default is averted.

In separate statements, inspectors and Greek government officials said that significant headway had been achieved in the talks, which focused on €3 billion, or \$3.7 billion, for 2012 in budget cuts the government has yet to implement, and another €11.5 billion in budget cuts demanded for 2013 and 2014. The cutbacks — chiefly reductions to state spending, pensions and social benefits — must be implemented in exchange for the release of further installments of rescue funding.

The European Commission, European Central Bank and International Monetary Fund, known as the troika, have extended two bailouts worth €240 billion to Greece over the past two years.

Athens has fallen behind in meeting targets to reduce its budget deficit, blaming a deeper-than-expected recession that has cut into revenue.

Additional loan installments are crucial: Government officials have acknowledged that state coffers are running dry although E.U. leaders have said the means will be found to cover a €3.2 billion bond held by the European Central Bank that matures on Aug. 20.

"Talks went well, we made good progress. We will take a break and come back in early September," an I.M.F. envoy, Poul M. Thomsen, told reporters after a three-hour meeting with the Greek finance minister, Yannis Stournaras, that concluded 10 days of talks.

An official statement by the troika was even more restrained, noting that "discussions on the implementation of the program were productive and there was overall agreement on the need to strengthen policy efforts to achieve its objectives."

In an unofficial briefing, a ministry spokesman told reporters that the talks had gone "very well," that "systematic progress" had been made in identifying new sources for savings and that government officials were "not stressed" about the release of funding to cover the E.C.B. bond.

A pledge by the conservative Prime Minister Antonis Samaras to seek the renegotiation of some of the more onerous terms of the country's €130 billion loan agreement, signed in February, has been set aside. Instead, the authorities are focusing on reaching final agreement on budget cuts demanded by the troika to qualify for the next tranche of rescue funding — some €30 billion.

Last week, the leaders of Greece's shaky tripartite coalition government, installed in June after two rounds of inconclusive elections, approved the €11.5 billion in budget cuts for 2013 and 2014 in principle but only after extremely tense talks.

Strong objections to additional cuts to pensions by the Socialist leader Evangelos Venizelos, who negotiated the debt deal in February as finance minister, had fanned fears of the fragile administration's collapse. Mr. Venizelos, who argued that excessive austerity was unfair and would stoke social unrest, gave in after Mr. Samaras insisted that Greece's solvency and position in the euro zone were at stake.

In meetings later this month with European officials, the prime minister is expected to emphasize Greece's determination to satisfy creditors' demands and secure the country's future in the euro.

Mr. Samaras is to meet with Jean-Claude Juncker, president of the Eurogroup of euro zone finance ministers; Angela Merkel, the German chancellor; and François Hollande, the French president.

Italy seeks 'moral support'

Italy needs moral support from Germany but not its cash, Prime Minister Mario Monti said in an interview published Sunday as German conservatives renewed calls for Greece to leave the euro zone, Reuters reported from Berlin.

The Italian leader also told the weekly magazine *Der Spiegel* that he was concerned about growing anti-euro, anti-German and anti-European Union sentiment in the Parliament in Rome.

"I'll stay in office if all goes according to plan until April 2013, and I hope that I can help rescue Italy from financial ruin with moral support from some European friends, especially Germany," Mr. Monti told *Der Spiegel*. "But I say quite clearly: moral support, not financial."

Mr. Monti pointed out that, while five euro zone countries had received or requested international bailouts, Italy had not yet received "a single euro" of help.