Talks on resolving Greece’s financial deadlock resume Wednesday amid growing creditor concern that Prime Minister Alexis Tsipras’s government won’t come up with the reforms necessary to unfreeze aid by its self-imposed deadline of April 24.

The two sides are not moving closer to a deal, said an international official involved with the negotiations. The Greek government’s refusal to proceed with any privatizations, and its pledges to reverse labor-market reform, pension reform and budget savings can’t be accepted by the country’s creditors, the official said, asking not to be named as talks between the two sides are not public.
A Greek official wasn’t immediately available for comment.

As negotiations drag on, a further “crisis that would unsettle financial markets can’t be ruled out,” International Monetary Fund chief economist Olivier Blanchard said Tuesday. Greek stocks and bonds fell, with yields on the country’s 2017 notes rising the most in two months amid doubt that a solution will be reached by next week when euro-area finance ministers meet in Riga, Latvia to discuss the bloc’s most indebted state.

While leaving the euro would be “extremely painful” for Greece, “the rest of the euro zone is in a better position to deal with a Greek exit” than it has been previously, Blanchard said.

Cash Reserves

Greece’s government can use cash reserves of state enterprises, pension funds and local governments to stay afloat until May even if the Riga meeting is inconclusive, the international official said. Such a depletion of cash buffers would only make sense if the government’s final goal is to strike a compromise with creditors, the official said.

The European Central Bank increased the ceiling of emergency liquidity assistance available to Greek lenders to 74 billion euros ($79 billion) from 73.2 billion euros, people familiar with the matter said Tuesday. Greek banks have used about 70 billion euros of ELA so far, one of the officials said.

With a monthly bill of about 1.5 billion euros ($1.6 billion) for pensions and salaries, Greek officials last week said they are targeting the finance ministers’ meeting as a deadline for approving new money. In the first two weeks of May alone, Greece must make payments to the IMF of nearly 1 billion euros.

Red Lines

The negotiations on more aid are focused on honing an initial agreement reached in February over reforms including tax collection and maintaining sales of state-owned companies. That was struck a month after Tsipras was elected on a platform of rolling back austerity measures.

Greek officials have insisted that the government maintains so-called red lines it won’t cross, including pension cuts, sales-tax increases and plans to reintroduce labor-market regulations scrapped by previous administrations. Another flashpoint between the sides includes planned legislation to protect
indebted households from lenders auctioning off primary residences. The ECB has criticized that proposal.

Later this week, the scene of Greece’s debt drama will turn to Washington, where Greek Finance Minister Yanis Varoufakis will be visiting. He’ll attend a Greek Independence Day reception at the White House, though no talks with President Barack Obama are scheduled, according to a U.S. official. A Greek Finance Ministry official said earlier that Obama and Varoufakis would meet.