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Eurogroup statement on Greece of 22 June 2018

Completion of the fourth and final review and growth strategy

The Eurogroup commends the Greek authorities for the completion of all the agreed prior actions of the final review of the ESM programme. We congratulate the Greek authorities and Greek people for the successful conclusion of the ESM programme. The Eurogroup acknowledges the significant efforts made by the Greek citizens over the last years. Greece is leaving the financial assistance programme with a stronger economy building on the fiscal and structural reforms implemented. It is important to continue these reforms, which provide the basis for a sustainable growth path with higher employment and job creation, which in turn is Greece's best guarantee for a prosperous future.

The Eurogroup welcomes the commitment of the Greek authorities to continue and complete all key reforms adopted under the ESM programme and to ensure that the objectives of the important reforms adopted are safeguarded. We also welcome the finalization of a comprehensive growth strategy by the Greek authorities. This strategy, which aims at enhancing Greece's long-term growth potential and improving the investment climate, underlines the Greek ownership of the reform process following the ESM programme. The Eurogroup further welcomes the signature of a 'Cooperation and Support Plan' between the Greek authorities and the European Commission's Structural Reform Support Services, which provides the continued provision of technical assistance to support reform implementation in the coming years.

DSA and primary surplus

The Eurogroup returned to the sustainability of Greek debt on the basis of an updated debt sustainability analysis provided by the European institutions. The implementation of an ambitious growth strategy and of prudent fiscal policies will be the key ingredients for debt sustainability. In this context the Eurogroup welcomes the commitment of Greece to maintain a primary surplus of 3.5% of GDP until 2022 and, thereafter to continue to ensure that its fiscal commitments are in line with the EU fiscal framework. Analysis of the European Commission suggests that this will imply a primary surplus of 2.2% of GDP on average in the period from 2023 to 2060.

The Eurogroup recalled the assessment of debt sustainability with reference to the agreed benchmarks for gross financing needs: GFN should remain below 15% of GDP in the medium term and below 20% of GDP thereafter while ensuring that debt remains on a sustained downward path.

The Eurogroup stressed the importance of basing its assessment on realistic and cautious assumptions, taking into account compliance with the EU fiscal framework and the impact of growth enhancing reforms and investment initiatives.

The Eurogroup agreed to implement, in addition to the short-term debt measures already in place, the following medium-and long-term debt measures in order to ensure that the agreed GFN objectives are respected also under cautious assumptions.

For the medium term, this includes the following upfront measures:

- The abolition of the step-up interest rate margin related to the debt buy-back tranche of the 2nd Greek programme as of 2018.
- The use of 2014 SMP profits from the ESM segregated account and the restoration of the transfer of ANFA and SMP income equivalent amounts to Greece (as of budget year 2017). The available income equivalent amounts will be transferred to Greece in equal amounts on a semi-annual basis in December and June, starting in 2018 until June 2022, via the ESM segregated account and will be used to reduce gross financing needs or to finance other agreed investments.

The two measures mentioned above are subject to compliance with policy commitments and monitoring, as outlined below.

- A further deferral of EFSF interest and amortization by 10 years and an extension of the maximum weighted average maturity (WAM) by 10 years, respecting the programme authorized amount.

We agreed that based on a debt sustainability analysis to be provided by the European institutions, the Eurogroup will review at the end of the EFSF grace period in 2032, whether additional debt measures are needed to ensure the respect of the agreed GFN targets, provided that the EU fiscal framework is respected, and take appropriate actions, if needed**.** The Eurogroup will take into account a positive assessment in the post programme surveillance, particularly in the fiscal area and economic reform policies.

In this context, for the long term, the Eurogroup also recalled the May 2016 agreement on a contingency mechanism on debt which could be activated in the case of an unexpectedly more adverse scenario. If activated by the Eurogroup, it could entail measures such as a further re-profiling and capping and deferral of interest payments of the EFSF to the extent needed to meet the GFN benchmarks defined above.

Post programme surveillance framework

The Eurogroup stressed that debt relief measures should include incentives to ensure a strong and continuous implementation by Greece of the reform measures agreed in the programme. To ensure the market credibility of the package of debt measures, we agreed that policy commitments related to the programme will be linked to the return of SMP-ANFA income equivalent amounts as well as to the abolition of the step-up interest rate margin up to 2022. In this context, the Greek authorities have made specific policy commitments, as set out in the annex, to complete key structural reforms initiated under the ESM programme (including commitments to complete actions whose implementation is not fully in the hands of government) against agreed deadlines and made a general commitment to continue the implementation of all key reforms adopted under the ESM programme.

The Eurogroup welcomes the intention of the European Commission to activate the Enhanced Surveillance procedure in the coming weeks and also the support for this approach by the Greek authorities. The quarterly reports under Enhanced Surveillance will enable closer monitoring of the economic, fiscal and financial situation and the post programme policy commitments and will serve as a basis for the Eurogroup to agree on the return of SMP-ANFA income equivalent amounts and the cancellation of the step-up interest margin on EFSF.

ELSTAT /COEX

We recalled that the ongoing legal proceedings against the members of the Committee of Experts (CoEx) of TAIPED are a matter of very serious concern and we reaffirm our full confidence in the work of the experts, which was also confirmed by the Hellenic Court of Auditors. Preoccupations also concern the proceedings against the former President and senior staff of ELSTAT, notably as regards the alleged falsification of fiscal data. The Eurogroup continues to have full confidence that the data validated by Eurostat and delivered by ELSTAT since 2010, including the 2009 general government balance outturn, is in compliance with the rules that are applied in all Member States. The Eurogroup mandates the institutions to continue monitoring the developments in those cases and the supporting actions taken by the Greek authorities, including legislative actions if needed, for instance strengthening the independence of ELSTAT, in full respect of the independence of the judiciary, and report back to the Eurogroup in the context of the post programme surveillance.

Disbursement and cash buffer

Subject to the completion of national procedures, the ESM governing bodies are expected to approve the disbursement of the fifth and last tranche of the ESM programme amounting to EUR 15 bn. Out of this total amount, EUR 5.5 bn will be disbursed to the segregated account, to be used for debt servicing and EUR 9.5 bn will be disbursed to a dedicated account set up to build up cash buffers, to be used for debt service in case of needs. Such an account will be subject to appropriate safeguards and any possible future utilization of its funds for an efficient debt management will be agreed by the Greek authorities with the ESM/European institutions. Overall, Greece will be leaving the programme with a sizeable cash buffer of EUR 24.1 bn covering the sovereign financial needs for around 22 months following the end of the programme in August 2018, which represents a significant backstop against any risks.

IMF Participation

The IMF management welcomed the successful implementation of the ESM programme and the further specification of the debt measures given today by Member States. Although the Fund's own Stand-By Arrangement (SBA) can no longer be activated, the IMF confirmed its continued involvement in Greece in the post-programme surveillance framework alongside the European Institutions.

Finally, we also reaffirmed our commitment to continue to support Greece in its reform efforts to return to sustainable growth.

› Annex: Specific commitments to ensure the continuity and completion of reforms adopted under the ESM programme

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