Eurogroup

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STATEMENTS AND REMARKS
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Eurogroup statement on Greece

The Eurogroup welcomes the progress that has been made in reaching full staff-level agreement between Greece and the institutions in the context of the second review of the ESM programme. In particular, the Eurogroup welcomes the agreement with the European institutions on a budget for 2017, which confirms the agreed primary balance target of 1.75% of GDP and which allows for the national rollout of the Guaranteed Minimum Income (GMI), which establishes a genuine social safety net. The Eurogroup notes that staff-level agreement should include measures to reach the agreed fiscal target for 2018 (a primary balance of 3.5% of GDP), as well as reforms to enhance growth and cost competitiveness, including further substantial reforms of the labour market, the opening up of closed professions and the removal of barriers for investment.

In particular, the Eurogroup recalls that the appointment of the members of the Board of Directors of the Hellenic Corporation of Assets and Participations (HCAP) should be implemented before the end of January 2017 to make the fund fully operational.

The Eurogroup recalled that the primary surplus target of 3.5% of GDP reached by 2018 should be maintained for the medium-term. We also recalled the importance of a fiscal trajectory that is consistent with the fiscal commitments under the EU framework. In order to ensure compliance with the fiscal targets in a sustainable manner after the completion of the programme, the Greek authorities commit to agree with the institutions on a mechanism and structural measures that would ensure this.

Today the Eurogroup discussed again the sustainability of Greek public debt with the objective to regain market access. In this context, the Eurogroup endorsed today the full set of short-term measures on the basis of proposals by the ESM and preparatory work by the EWG, which will be implemented by the ESM following this meeting. Those measures will consist of:

The smoothening of the EFSF repayment profile within the current weighted average maturity of up to 32,5 years;
The waiver of the step-up interest rate margin amounting to 200 bps related to the debt buy-back tranche of the 2nd Greek programme for the year 2017;
The use of the EFSF/ESM funding strategy as markets allow to reduce interest rate risk without incurring any additional costs for former programme countries. This measure will be implemented through: (i) exchanging the EFSF/ESM back-to back notes supporting the bank recapitalization loans to Greece, (ii) the ESM entering into interest rate swaps to mitigate the risk of higher market rates and (iii) introducing matched funding for future disbursements to Greece under the current programme.

The short-term debt measures will have a significant positive impact on the sustainability of Greek debt.

The Eurogroup calls upon the institutions and Greece to swiftly resume negotiations in order to reach staff-level agreement as soon as possible, based on a shared conditionality, as agreed in August 2015, and mandates the EWG to assess this. The Eurogroup stands ready, in line with usual practice, to support the completion of future reviews provided that the policy package, including the contingency fiscal mechanism as agreed in the context of the first review, is implemented as planned. The Eurogroup confirms that the programme implementation, as well as policy conditionality and targets, will be reviewed regularly based on input from the institutions.

The IMF staff reconfirmed today its intention to recommend to the Fund's Executive Board a new financing arrangement for Greece as soon as possible once staff-level agreement is reached in accordance with established Fund policies.

The full implementation of all prior actions related to the second review and the completion of national procedures would pave the way for the ESM governing bodies to approve the supplemental Memorandum of Understanding.

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