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Eurogroup statement on Greece

The Eurogroup welcomes the completion of a policy package, which should pave the way for a successful completion of the first review of the ESM programme, upon the adoption of the agreed prior actions.

Greece will implement as part of the prior actions for the first review:

- a first package of fiscal parametric measures amounting up to 3% of GDP by 2018; this package includes a pension reform, a reform of the personal income tax and additional fiscal parametric measures, such as a VAT reform and public sector wage bill measures;
- an additional contingency mechanism, which will be legislated to ensure that a package of measures, including non-discretionary measures, would be automatically implemented as soon as there is objective evidence of a failure to meet the annual primary surplus targets in the programme (3,5% in the medium-term). If measures are enacted with a temporary nature when the mechanism is triggered, permanent structural measures agreed with the institutions, including revenue measures, should become effective in the year thereafter, as part of the regular budgetary process, in order to bring the budget structurally back on track. Exceptions to the activation of the mechanism will be limited to exceptional events with a major economic impact outside government control. Such exceptions need to be agreed with the institutions.

The first review includes also the implementation of the NPL strategy, which will contribute to strengthening the balance sheets of banks and enable the return of domestic credit to the Greek economy. As prior actions, measures will be taken to immediately open up the market for the sale and servicing of performing and non-performing loans, with the temporary exclusion of small loans secured by primary residences.

The Eurogroup recalls that a significantly strengthened privatisation programme is a cornerstone of the new ESM programme. In this context, the Eurogroup welcomes the agreement for the forthcoming adoption of the law establishing the agreed Greek Privatisation and Investment Fund, including an initial asset transfer, as part of the prior actions for the first review. The Supervisory Board of the Fund will be appointed by June 2016, and the Fund will become fully operational no later than September.

In line with the statements of the Euro Summit and the Eurogroup in the summer of 2015, the Eurogroup stands ready to consider, if necessary, possible additional debt measures aiming at ensuring that Greece's refinancing needs are kept at sustainable levels in the long-run. These measures will be conditional upon full implementation of measures agreed in the context of the ESM programme, and will be considered after the completion of the first review, once all prior actions have been fully implemented.

The Eurogroup agrees on the following general guiding principles for the possible additional debt measures: (i) facilitating market access; (ii) smoothening the repayment profile; (iii) incentivising the country's adjustment process even after the programme ends; and (iv) flexibility to accommodate uncertain GDP growth and interest rate developments in the future.

The Eurogroup also agrees to establish a benchmark for assessing sustainability of the Greek debt, according to which under the baseline scenario of a debt sustainability analysis (DSA), Greece's gross financing needs should remain on a sustainable path.

The Eurogroup foresees a sequenced approach, whereby a package of debt measures could be phased in progressively, as necessary to meet the agreed benchmark on gross financing needs and subject to the pre-defined conditionality of the ESM programme. The Eurogroup reconfirms that nominal haircuts are excluded, and that all measures taken will be in line with existing EU law and the ESM and EFSF legal frameworks. The Eurogroup will consider:

- For the short term: possibilities to optimize debt management of the programme.
- For the medium term: the Eurogroup asks the EWG to explore specific measures (such as longer grace and payment periods) which can be used, if necessary, at the end of the ESM programme, conditional upon the successful implementation of the ESM programme, as well as such measures as the use of the SMP and ANFA equivalent profits.
- For the long term: the Eurogroup stands ready, if necessary, and conditional upon compliance with the primary surplus targets, to further assess at the end of the programme the need for possible additional debt measures to ensure Greece's gross financing needs remain on a sustainable path.

The Eurogroup mandates the EWG to work further on the technicalities of this package of debt measures and to report back to the next regular Eurogroup on 24 May.

Together with the agreement and implementation of the policy package, this agreement on debt and adequate financing assurances by the European partners are expected to allow the IMF to participate in the programme.

The Eurogroup calls upon the institutions and the Greek authorities to complete in the coming days the technical work on the staff level agreement on the first review, including the contingency mechanism. In this context, the Eurogroup looks forward to receive rapidly the draft supplemental MoU, including the final full list of prior actions, as well as the compliance report for the first review. It calls upon the Greek authorities to take immediate steps to implement the prior actions including through the adoption of legislation. Upon full implementation of the prior actions by the Greek authorities and following national procedures where necessary, the Eurogroup stands ready to support the disbursement of the second tranche of the ESM programme.

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