



Eurogroup

Luxembourg, 16 June 2022

Eurogroup statement on Greece

Following the successful completion of the ESM programme for Greece in 2018, the Greek authorities committed 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. The Eurogroup welcomed this commitment as well as the intention of the European Commission to activate enhanced surveillance according to Articles 2 and 3 of Regulation (EU) No 472/2013. The Eurogroup agreed that the quarterly reports under enhanced surveillance would 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.

Today, the Eurogroup discussed Greece's progress with reform implementation and its macro-economic outlook, on the basis of the fourteenth enhanced surveillance report of the European Commission published on 23 May 2022.

After a strong rebound of economic activity in 2021, the Commission's spring forecast shows a continuation of the post-pandemic recovery, albeit at a somewhat slower pace than expected, due to the impact of the Russian military aggression against Ukraine and higher energy prices. Growth is expected to be mainly driven by investment, and to a lesser extent by consumption and net exports. Growth is also bolstered by the Recovery and Resilience facility and an overall supportive fiscal policy stance this year.

The Eurogroup welcomes the further policy reforms that have been achieved since the last report was published on 23 February 2022. In particular, we welcome the fulfilment of the specific commitments in the area of public financial management, property taxation, disability benefits, environmental inspections and justice, and the agreement on the extension of the mandate of the Hellenic Financial Stability Fund. Moreover, Greece also completed wider structural reforms including in public procurement and by setting up a Justice Statistics department at the Ministry of Justice.

Against this background, the Eurogroup welcomes the assessment by the European institutions that, despite the economic implications of new waves of the pandemic and the new challenges posed by Russia's military aggression against Ukraine, Greece has taken the necessary actions to achieve its specific commitments and that the necessary conditions are in place to confirm the release of the seventh tranche of policy-contingent debt measures. Subject to the completion of national procedures, the Eurogroup Working Group and the Board of Directors of the European Financial Stability Facility (EFSF) are expected to approve the transfer of SMP-ANFA income equivalent amounts and the reduction to zero of the step-up interest margin on certain EFSF loans, which are worth EUR 748 million in total.

The lingering uncertainty related to the pandemic as well as the global instability created by the war in Ukraine underscore the need to continue tackling decisively the existing medium-term risks and challenges identified in the fourteenth enhanced surveillance report, including public debt, non-performing loans, external rebalancing, unemployment and strengthening the growth potential.

We therefore welcome the commitment of the Greek authorities to continue the reform process and to complete outstanding elements.

The Eurogroup welcomes the Commission assessment that the successful delivery of the bulk of the policy commitments and the effective reform implementation have improved the resilience of the Greek economy and strengthened its financial stability, thereby significantly reducing the risks of adverse spill-over effects on other Member States in the euro area.

The Eurogroup takes note that the European Commission may not prolong enhanced surveillance after its expiration on 20 August 2022. Together, the eventual expiration of enhanced surveillance, the implementation of reform commitments, the full repayment of IMF loans, and the earlier abolition of remaining capital controls will bring to a closure a challenging period since 2010 characterised by heightened international focus on Greek economic policies, and complete the return of Greece to the regular economic surveillance framework. In this case, the monitoring of Greece's economic, fiscal and financial situation would continue in the context of both the well-established post-programme surveillance and the European Semester. The ESM will continue its monitoring of Greece's repayment capacity under the Early Warning System, in line with existing arrangements. In addition, major reforms and investments would also continue to be monitored in the context of the delivery of Greece's recovery and resilience plan.

The Eurogroup also welcomes the specific reform steps that have been agreed between the European institutions and the Greek authorities to be completed by the autumn of this year, as set out in the fourteenth enhanced surveillance report. This includes financial sector policies, justice, primary health care, cadastre, codification of the labour legislation, and reaching the agreed targets for the clearance of arrears. The Eurogroup concurs that the monitoring of these outstanding reform commitments could be undertaken in the context of a first post-programme surveillance report to be issued in November, which could serve as a basis for a decision on the final tranche of debt measures.
