

The compromise with the Greek government: comparison of the Eurogroup draft proposal and the Euro Summit Statement

Summary:

The Euro Summit statement is almost identical to the Eurogroup's draft proposal. The key differences of the Euro Summit statement in comparison to the draft proposals are:

- The Euro Summit statement anchored (1) the involvement of the IMF, (2) stricter conditions on the negotiation of the Memorandum of Understanding and on labour market reforms and product market reforms in the final compromise
- The Euro Summit statement introduces a privatisation fund
- The Euro Summit statement excludes the humanitarian crisis bill from legislative measures which the Greek government has to re-examine and amend
- The Euro Summit statement does not contain the proposal on a temporary exit from the Eurozone
- The Euro Summit statement leaves more discretion to the Greek government on privatisation measures in the electricity sector

Explanatory remarks for the following overview table:

- See wording modified in the final statement in italics and underlined.
- See wording of the draft proposal, which has been subject to modification in final proposal, highlighted in italics
- Wording which lead to stricter conditions for the Greek government is highlighted in grey
- See a summary of the modifications or non-modifications in brackets behind the respective measures

Measure	Eurogroup draft proposal on measures to be fulfilled by the Greek government (12 July 2015 - 16.00H)	Euro Summit Statement on compromise on measures to be fulfilled by the Greek government (12 July 2015)
Involvement of the IMF: anchored in the final compromise	The Eurogroup expects continued full involvement of the IMF [and welcomes the intention by Greece to seek full involvement of the IMF in the monitoring and financing of the programme]. This is a precondition for the Eurogroup to agree on a new ESM programme.	<i><u>A euro area Member State requesting financial assistance from the ESM is expected to address, wherever possible, a similar request to the IMF.</u></i> This is a precondition for the Eurogroup to agree on a new ESM programme. <i><u>Therefore Greece will request continued IMF support (monitoring and financing) from March 2016.</u></i>
Legislation without	Given the need to rebuild trust with Greece, the	Given the need to rebuild trust with Greece, the Euro

delay to rebuild trust	Eurogroup welcomes the commitments of the Greek authorities to legislate without delay, by <u>15 July</u> , a first set of measures. (...)	Summit welcomes the commitments of the Greek authorities to legislate without delay, by 15 July , a first set of measures. (...)
Immediate action reforms: same requirements in both papers, but different prioritisation in regards to time	<ul style="list-style-type: none"> • the streamlining of the VAT system and the broadening of the tax base to increase revenue; • upfront measures to improve long-term sustainability of the pension system as part of a comprehensive pension reform programme; • the adoption of the Code of Civil Procedure, which is a major overhaul of procedures and arrangements for the civil justice system and can significantly accelerate the judicial process and reduce costs; • the safeguarding of the full legal independence of ELSTAT; • full implementation of the relevant provisions of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, in particular by making the Fiscal Council operational before finalizing the MoU and introducing quasi-automatic spending cuts in case of deviations from ambitious primary surplus targets after seeking advice from the Fiscal Council and subject to prior approval of the Institutions; • the transposition of the BRRD with support from the European Commission 	<p><u>by 15 July</u></p> <ul style="list-style-type: none"> • the streamlining of the VAT system and the broadening of the tax base to increase revenue; • upfront measures to improve long-term sustainability of the pension system as part of a comprehensive pension reform programme; • the safeguarding of the full legal independence of ELSTAT; • full implementation of the relevant provisions of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, in particular by making the Fiscal Council operational before finalizing the MoU and introducing quasi-automatic spending cuts in case of deviations from ambitious primary surplus targets after seeking advice from the Fiscal Council and subject to prior approval of the Institutions; <p><u>by 22 July</u></p> <ul style="list-style-type: none"> • the adoption of the Code of Civil Procedure, which is a major overhaul of procedures and arrangements for the civil justice system and can significantly accelerate the judicial process and reduce costs; • the transposition of the BRRD with support from the European Commission
Conditions for the negotiation of a	Immediately, and only subsequent to legal implementation of the first four above-mentioned	Immediately, and only subsequent to legal implementation of the first four above-mentioned

<p>Memorandum of Understanding (MoU): additional instance for verification of implemented measures added in final compromise</p>	<p>measures as well as endorsement of all the commitments included in this document by the Greek Parliament, may a decision to mandate the Institutions to negotiate a Memorandum of Understanding (MoU) be taken. This decision would be taken subject to national procedures having been completed and if the preconditions of Article 13 of the ESM Treaty are met on the basis of the assessment referred to in Article 13.1.</p>	<p>measures as well as endorsement of all the commitments included in this document by the Greek Parliament, <u>verified by the Institutions and the Eurogroup</u>, may a decision to mandate the Institutions to negotiate a Memorandum of Understanding (MoU) be taken. This decision would be taken subject to national procedures having been completed and if the preconditions of Article 13 of the ESM Treaty are met on the basis of the assessment referred to in Article 13.1.</p>
<p>Areas where the Greek government must strengthen its proposals in agreement with the institutions: final compromise contains stricter conditions: (1) additional opening of pharmaceutical product market required in the future); (2) stricter requirements on labour market reforms, although EU legislation introduced as framework But final compromise also grants more flexibility on privatisation of electricity</p>	<ul style="list-style-type: none"> • adopt more ambitious product market reforms with a clear timetable for implementation of all OECD toolkit I recommendations, including Sunday trade, sales periods, pharmacy ownership, milk and bakeries, <i>[except over-the-counter pharmaceutical products, which will be implemented in a next step]</i>, as well as for the opening of macro-critical closed professions (e.g. ferry transportation). On the follow-up of the OECD toolkit-II, manufacturing needs to be included in the prior action; • on energy markets, proceed with the privatisation of the electricity transmission network operator (ADMIE), <i>[unless replacement measures can be found that have equivalent effect on competition, as agreed by the Institutions]</i>; • on labour markets, undertake rigorous reviews of collective bargaining, industrial action and, in line with the <i>timetable and the approach agreed with the Institutions</i>. <i>[In addition the Greek</i> 	<ul style="list-style-type: none"> • adopt more ambitious product market reforms with a clear timetable for implementation of all OECD toolkit I recommendations, including Sunday trade, sales periods, pharmacy ownership, milk and bakeries, <u>except over-the-counter pharmaceutical products, which will be implemented in a next step</u>, as well as for the opening of macro-critical closed professions (e.g. ferry transportation). On the follow-up of the OECD toolkit-II, manufacturing needs to be included in the prior action; • on energy markets, proceed with the privatisation of the electricity transmission network operator (ADMIE), <u>unless replacement measures can be found that have equivalent effect on competition, as agreed by the Institutions</u>; • on labour markets, undertake rigorous reviews and <u>modernisation</u> of collective bargaining, industrial action and, in line with the <u>relevant EU directive and best practice, collective dismissals</u>,

	<p><i>authorities shall modernize the legislative framework for collective dismissals, in line with best practice].</i> On the basis of these reviews, labour market policies should be aligned with international and European best practices, and should not involve a return to past policy settings which are not compatible with the goals of promoting sustainable and inclusive growth;</p> <ul style="list-style-type: none"> • adopt the necessary steps to strengthen the financial sector, including decisive action on non-performing loans and measures to strengthen governance of the HFSF and the banks, in particular by eliminating any possibility for political interference especially in appointment processes 	<p>along the timetable and the approach agreed with the Institutions. On the basis of these reviews, labour market policies should be aligned with international and European best practices, and should not involve a return to past policy settings which are not compatible with the goals of promoting sustainable and inclusive growth;</p> <ul style="list-style-type: none"> • adopt the necessary steps to strengthen the financial sector, including decisive action on non-performing loans and measures to strengthen governance of the HFSF and the banks, in particular by eliminating any possibility for political interference especially in appointment processes.
<p>Privatisation requirements: final compromise requires foundation of privatization fund with volume of 50bn</p>	<p>On top of that, the Greek authorities shall take the following actions:</p> <ul style="list-style-type: none"> • [The Greek authorities will invite an independent body to assess the price of assets sold and will investigate the best way to further increase the independence of TAIPED with the involvement of the Commission] <p>OR</p> <ul style="list-style-type: none"> • [Moreover, valuable Greek assets of [EUR 50 bn] shall be transferred to an existing external and independent fund like the Institution for Growth in Luxembourg to be privatized over time and decrease debt (...)]. 	<p>On top of that, the Greek authorities shall take the following actions:</p> <ul style="list-style-type: none"> • <u>to develop a significantly scaled up privatisation programme with improved governance; valuable Greek assets will be transferred to an independent fund that will monetize the assets through privatisations and other means. The monetization of the assets will be one source to make the scheduled repayment of the new loan of ESM and generate over the life of the new loan a targeted total of EUR 50bn of which EUR 25bn will be used for the repayment of recapitalization of banks and other assets and 50 % of every remaining euro (i.e. 50% of EUR 25bn) will be used for decreasing the debt to GDP ratio and the remaining 50 % will be used for investments.</u>

		<u><i>This fund would be established in Greece and be managed by the Greek authorities under the supervision of the relevant European Institutions. In agreement with Institutions and building on best international practices, a legislative framework should be adopted to ensure transparent procedures and adequate asset sale pricing, according to OECD principles and standards on the management of State Owned Enterprises (SOEs);</i></u>
Modernisation of public administration: no difference between draft document and final compromise on conditions to modernise Greek public administration)	<ul style="list-style-type: none"> in line with the Greek government ambitions, to modernise and significantly strengthen the Greek administration, and to put in place a programme, under the auspices of the European Commission, for capacity-building and de-politicizing the Greek administration. A first proposal should be provided by 20 July after discussions with the Institutions. The Greek government commits to reduce further the costs of the Greek administration, in line with a schedule agreed with the Institutions; 	<ul style="list-style-type: none"> in line with the Greek government ambitions, to modernise and significantly strengthen the Greek administration, and to put in place a programme, under the auspices of the European Commission, for capacity-building and de-politicizing the Greek administration. A first proposal should be provided by 20 July after discussions with the Institutions. The Greek government commits to reduce further the costs of the Greek administration, in line with a schedule agreed with the Institutions;
Programme implementation: no difference between draft document and final compromise on programme implementation)	<ul style="list-style-type: none"> to fully normalize working methods with the Institutions, including the necessary work on the ground in Athens, to improve programme implementation and monitoring. The government needs to consult and agree with the Institutions on all draft legislation in relevant areas with adequate time before submitting it for public consultation or to Parliament. The Euro Summit 	<ul style="list-style-type: none"> to fully normalize working methods with the Institutions, including the necessary work on the ground in Athens, to improve programme implementation and monitoring. The government needs to consult and agree with the Institutions on all draft legislation in relevant areas with adequate time before submitting it for public consultation or to Parliament. The Euro Summit

	stresses again that implementation is key, and in that context welcomes the intention of the Greek authorities to request by 20 July support from the Institutions and Member States for technical assistance, and asks the European Commission to coordinate this support from Europe;	stresses again that implementation is key, and in that context welcomes the intention of the Greek authorities to request by 20 July support from the Institutions and Member States for technical assistance, and asks the European Commission to coordinate this support from Europe;
Treatment of legislation adopted by the Greek government during 2015: final compromise excludes humanitarian crisis bill from review and compensation requirement	[Finally, to amend or compensate for "roll-back" legislation adopted during 2015, which have not been agreed with the institutions and run counter to the commitments agreed in the framework of the 20 February Eurogroup statement].	With the <i>exception of the humanitarian crisis bill</i> , the Greek government will reexamine with a view to amending legislations that were introduced counter to the February 20 agreement by backtracking on previous programme commitments or identify clear compensatory equivalents for the vested rights that were subsequently created.
Conditions on beginning the negotiations: no difference between draft document and final compromise on these conditions	The above-listed commitments are minimum requirements to start the negotiations with the Greek authorities. However, the Euro Summit made it clear that the start of negotiations does not preclude any final possible agreement on a new ESM programme, which will have to be based on a decision on the whole package (including financing needs, debt sustainability and possible bridge financing). The Euro Summit takes note of the possible programme financing needs of between EUR 82 and 86bn, as assessed by the Institutions. It invites the Institutions to explore possibilities to reduce the financing envelope, through an alternative fiscal path or higher privatisation proceeds. Restoring market access, which is an objective of any financial assistance programme, lowers	The above-listed commitments are minimum requirements to start the negotiations with the Greek authorities. However, the Euro Summit made it clear that the start of negotiations does not preclude any final possible agreement on a new ESM programme, which will have to be based on a decision on the whole package (including financing needs, debt sustainability and possible bridge financing). The Euro Summit takes note of the possible programme financing needs of between EUR 82 and 86bn, as assessed by the Institutions. It invites the Institutions to explore possibilities to reduce the financing envelope, through an alternative fiscal path or higher privatisation proceeds. Restoring market access, which is an objective of any financial assistance programme, lowers

	<p>the need to draw on the total financing envelope. The Euro Summit takes note of the urgent financing needs of Greece which underline the need for very swift progress in reaching a decision on a new MoU: these are estimated to amount to EUR 7bn by 20 July and an additional EUR 5bn by mid August.</p> <p>The Euro Summit acknowledges the importance of ensuring that the Greek sovereign can clear its arrears to the IMF and to the Bank of Greece and honour its debt obligations in the coming weeks to create conditions which allow for an orderly conclusion of the negotiations. The risks of not concluding swiftly the negotiations remain fully with Greece. The Euro Summit invites the Eurogroup to discuss these issues as a matter of urgency.</p> <p>Given the acute challenges of the Greek financial sector, the total envelope of a possible new ESM programme would have to include the establishment of a buffer of EUR 10 to 25bn for the banking sector in order to address potential bank recapitalisation needs and resolution costs, of which EUR 10bn would be made available immediately in a segregated account at the ESM.</p> <p>The Euro Summit is aware that a rapid decision on a new programme is a condition to allow banks to reopen, thus avoiding an increase in the total financing envelope. The ECB/SSM will conduct a comprehensive assessment after the summer. The overall buffer will cater for possible capital shortfalls following the comprehensive assessment after the legal framework is applied.</p> <p>There are serious concerns regarding the sustainability</p>	<p>the need to draw on the total financing envelope. The Euro Summit takes note of the urgent financing needs of Greece which underline the need for very swift progress in reaching a decision on a new MoU: these are estimated to amount to EUR 7bn by 20 July and an additional EUR 5bn by mid August.</p> <p>The Euro Summit acknowledges the importance of ensuring that the Greek sovereign can clear its arrears to the IMF and to the Bank of Greece and honour its debt obligations in the coming weeks to create conditions which allow for an orderly conclusion of the negotiations. The risks of not concluding swiftly the negotiations remain fully with Greece. The Euro Summit invites the Eurogroup to discuss these issues as a matter of urgency.</p> <p>Given the acute challenges of the Greek financial sector, the total envelope of a possible new ESM programme would have to include the establishment of a buffer of EUR 10 to 25bn for the banking sector in order to address potential bank recapitalisation needs and resolution costs, of which EUR 10bn would be made available immediately in a segregated account at the ESM.</p> <p>The Euro Summit is aware that a rapid decision on a new programme is a condition to allow banks to reopen, thus avoiding an increase in the total financing envelope. The ECB/SSM will conduct a comprehensive assessment after the summer. The overall buffer will cater for possible capital shortfalls following the comprehensive assessment after the legal framework is applied.</p> <p>There are serious concerns regarding the sustainability</p>
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	of Greek debt. This is due to the easing of policies during the last twelve months, which resulted in the recent deterioration in the domestic macroeconomic and financial environment. The Euro Summit recalls that the euro area Member States have, throughout the last few years, adopted a remarkable set of measures supporting Greece's debt sustainability, which have smoothed Greece's debt servicing path and reduced costs significantly	of Greek debt. This is due to the easing of policies during the last twelve months, which resulted in the recent deterioration in the domestic macroeconomic and financial environment. The Euro Summit recalls that the euro area Member States have, throughout the last few years, adopted a remarkable set of measures supporting Greece's debt sustainability, which have smoothed Greece's debt servicing path and reduced costs significantly.
Possible consideration of debt restructuring measures: only linguistic differences	<p>[Against this background, in the context of a possible future ESM programme, and in line with the spirit of the Eurogroup statement of November 2012, the Eurogroup stands ready to consider, possible additional measures to <i>smoothen Greece's debt servicing path even further</i>, if necessary, to assure that gross financing needs <i>remain at a sustainable level</i>. These measures, including longer grace and repayment periods, will be conditional upon full implementation of the measures to be agreed in a possible new programme and will be considered after the first positive completion of a review.]</p> <p>The Euro Summit stresses that nominal haircuts on the debt cannot be undertaken.</p> <p>The Greek authorities reiterate their unequivocal commitment to honour their financial obligations to all their creditors fully and in a timely manner.</p>	<p>Against this background, in the context of a possible future ESM programme, and in line with the spirit of the Eurogroup statement of November 2012, the Eurogroup stands ready to consider, if necessary, possible additional measures (possible longer grace and payment periods) aiming at <u>ensuring that gross financing needs remain at a sustainable level</u>. These measures will be conditional upon full implementation of the measures to be agreed in a possible new programme and will be considered after the first positive completion of a review.</p> <p>The Euro Summit stresses that nominal haircuts on the debt cannot be undertaken.</p> <p>The Greek authorities reiterate their unequivocal commitment to honour their financial obligations to all their creditors fully and in a timely manner.</p>
Indication of possible further steps of Greece's request for financial support under	[Provided that the necessary conditions contained in this document are fulfilled, the Eurogroup and the ESM Board of Governors may (...) mandate the institutions to negotiate a new ESM programme (...)]	Deleted

<p>the ESM: respective information deleted in the final compromise is of rather technical character</p>		
<p>Time-out from Eurozone: would have practically lead to a Grexit</p>	<p>In case no agreement could be reached, Greece should be offered swift negotiations on a time-out form the euro area, with possible debt restructuring.</p>	<p>Deleted</p>

Sources:

Eurogroup draft proposal on measures to be fulfilled by the Greek government (12 July 2015 - 16.00)

http://s.kathimerini.gr/resources/article-files/draft1600_final.pdf

Euro Summit Statement (12 July 2015): <http://www.consilium.europa.eu/en/press/press-releases/2015/07/12-euro-summit-statement-greece/>