

Preliminary check of MoU

General Assessment: Large parts of the Summit Statement including the prior actions from the aide memoire are included in the MoU. However the implementation of many measures is foreseen not before October/ November and some very important reforms will not be implemented yet and are not yet specified. Against this background, there are 3 key questions to be clarified now: **First:** Does IMF fully subscribe to the conditionality (no split in conditionality between ESM and IMF)? **Second:** How can debt sustainability be ensured (hint to debt relief later on is not convincing)? And **third:** Can the independent privatisation fund rapidly start working and also take over the Greek banks together with recapitalization of up to 25 bn. Euros (ensuring governance standards as with direct recap)?

1. Reform strategy	MoU: Partially compliant
Euro Summit: In order to form the basis for a successful conclusion of the MoU, the Greek offer of reform measures needs to be seriously strengthened ... The Greek government needs to formally commit to strengthening their proposals in a number of areas identified by the Institutions, with a satisfactory clear timetable for legislation and implementation, including structural benchmarks, milestones and quantitative benchmarks, to have clarity on the direction of policies over the medium-run.	No full clarity on the direction of policies with clear timetable for legislation and implementation, including structural benchmarks, milestones and quantitative benchmarks foreseen.
2. Fiscal Targets	MoU: Partially compliant
Euro Summit had decided on the basis of primary surpluses of 1% in 2015, 2% in 2016, 3% in 2017 und 3.5% in 2018.	Fiscal and budget targets are weakened. Primary deficit of ¼ % in 2015, Primary surpluses of 0.5% in 2016, 1 ¾ % in 2017 und 3.5% in 2018. No measures defined yet to fill in the gap up to 3.5% of GDP.
3. Reduction of financing envelope	MoU: Partially compliant
The Euro Summit ... invites the Institutions to explore possibilities to reduce the financing envelope, through an alternative fiscal path or higher privatisation proceeds.	Reduction foreseen from privatization proceeds while weakened fiscal targets increase financing need.
4. Privatisation fund	MoU: Not yet compliant
Euro Summit: “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. ... This fund would be established in Greece and be managed by the Greek authorities under the supervision of the relevant European Institutions.	Just to set up a task force is not sufficient. MoU: “By October 2015 the authorities shall appoint an independent Task Force to identify options and prepare recommendations ... on the fund to be created.” “In line with the statement of the Euro Summit of 12 July 2015, a new independent fund will be established and have in its possession valuable Greek assets ... ”

<p>5. Governance HFSF/ NPLs</p>	<p>MoU: Largely compliant</p>
<p>Euro Summit: ... 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>	<p>Reform HFSF included, but not before mid-October = not consistent with the earlier disbursement of bank recap. Measures to reduce NPLs included, but protection of primary residences also included.</p>
<p>6. Labour Market</p>	<p>MoU: Largely compliant</p>
<p>Euro Summit: “on labour markets, undertake rigorous reviews and modernisation of collective bargaining, industrial action and, in line with the relevant EU directive and best practice, collective dismissals, along the timetable and the approach agreed with the Institutions.” The agreed timetable was until December 2015.</p>	<p>On labour markets, reviews on all issues (collective bargaining, collective dismissals and industrial action) included but end date of review open. That means that one important reform is postponed again.</p>
<p>7. Pension reforms</p>	<p>MoU: Largely compliant</p>
<p>Euro Summit: “carry out ambitious pension reforms and specify policies to fully compensate for the fiscal impact of the Constitutional Court ruling on the 2012 pension reform and to implement the zero deficit clause or mutually agreeable alternative measures by October 2015;”</p>	<p>... but measures are still not identified. MoU: “the Greek government will identify and legislate by October 2015 equivalent measures to fully compensate the impact of the implementation of the Court ruling on the pension measures of 2012”.</p>
<p>8. Public Administration</p>	<p>MoU: Partially compliant</p>
<p>Euro Summit: “in line with the Greek government ambitions, to modernise and significantly strengthen the Greek administration, and to put in place a programme, <u>under the auspices</u> of the European Commission, for capacity-building and de-politicizing the Greek administration. The Greek government commits to reduce further the costs of the Greek administration, in line with a schedule agreed with the Institutions. ”</p>	<p>Repeating and weakening the summit language. No concrete plan yet. “The authorities intend to modernise and significantly strengthen the Greek administration, and to put in place a programme, <u>in close collaboration</u> with the European Commission, for capacity-building and de-politicizing the Greek administration. To this extent, building on the letter sent on July 20th by the authorities to the European Commission, a comprehensive three-year strategy for reform will be defined by December 2015.” No plan for further cost reduction beyond public sector wage bill ceiling.</p>
<p>9. Debt Sustainability</p>	<p>MoU: Not yet compliant</p>
<p>... the Euro Summit made it clear that the start of negotiations does not preclude [prejudge] any final possible agreement on a new ESM programme, which will have to be based on a decision on the <u>whole package</u> (including financing needs, debt sustainability and possible bridge financing).</p>	<p>Financing needs are higher than expected; debt sustainability is one of the most important open issues</p>