

Eurogroup statement on Greece of 11 June 2020

The Eurogroup discussed Greece's progress with reform implementation and its macro-economic outlook, on the basis of the sixth enhanced surveillance report published on 20 May.

As in most member states, the economic and social situation in Greece has been adversely affected by the COVID-19 outbreak, and the economic outlook is subject to high uncertainty. Based on the Commission 2020 spring forecast, the Greek economy is expected to be among the hardest hit in the EU in 2020, although a fairly strong recovery is projected for 2021. We recall that Greece maintained strong fiscal performance, reaching the primary surplus targets in the past five years and a headline surplus of 1.5% of GDP in 2019. The updated forecast of the European institutions expects the primary balance to turn to a deficit in 2020, before returning to a surplus in 2021. We recall in this context the Eurogroup statement of 16 March 2020 where we agreed that "... automatic revenue shortfalls and unemployment benefit increases resulting from the drop in economic activity will not affect compliance with the applicable fiscal rules, targets and requirements. In addition, we agreed that the budgetary effects of temporary fiscal measures taken in response to COVID-19 will be excluded when assessing compliance with the EU fiscal rules, targets and requirements".

We commend the Greek authorities for the quick and decisive policy response, both in containing the outbreak of the virus and in taking the necessary economic and fiscal support measures. We also welcome Greece's commitment to undertake a set of additional reforms, with a view to supporting the recovery. We furthermore welcome the progress achieved in a number of reform areas, including in the privatization agenda, social welfare, the labour market and the functioning of the public administration. There have been some delays with the reform process, for example with regard to the financial sector. We acknowledge that these delays were mainly due to operational constraints linked to the Coronavirus epidemic.

The increased uncertainty entailed by the COVID-19 outbreak underscores the need to tackle decisively the existing medium-term risks and challenges identified in the enhanced surveillance report. It will therefore be crucial for Greece to sustain, and where necessary strengthen, reform efforts to further support the economic recovery, improve the resilience of the economy and to underpin the commitment to improve the long-term economic potential. We call on the Greek authorities to proceed decisively with the implementation of its arrears clearance plan, with the legislation of an effective new insolvency code, ensuring an appropriate enforcement of all collateral, and the abolition of the current scheme for the protection of primary residences by end-July 2020. Furthermore, we stress the need to strengthen the implementation of other key reforms, including with regard to further strengthening the tax administration, public investment, the business environment and the implementation of crucial financial sector reforms. This will continue to be monitored in the context of enhanced surveillance.

Against this background, the Eurogroup welcomes the assessment by the European institutions that Greece, also considering the extraordinary circumstances posed by the Coronavirus outbreak, has taken the necessary actions to achieve its specific reform commitments, and that the necessary conditions are in place to confirm the release of the third tranche of policy-contingent debt measures. Subject to the completion of national procedures, the EWG and the EFSF Board of Directors 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 worth EUR 748 million in total. Our next discussion on Greece will be based on the seventh enhanced surveillance report expected to be issued in September 2020.

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