

The Second Economic Adjustment Programme for Greece

March 2012

A joint Commission/ECB/IMF mission met with the Greek authorities in Athens on 17 January -9 February 2012. The mission assessed compliance with the terms and conditions of the Economic Adjustment Programme and discussed the policy package forming the basis of a successor programme.

The international assistance loans disbursed so far to Greece amount to EUR 73 billion. Of this amount, EUR 52.9 billion have been paid by the euro area Member States, and EUR 19.9 billion by the IMF. In the second programme, the EFSF and the IMF commit the undisbursed amounts of the first programme plus additional EUR 130 billion for the years 2012-14. During this period, the EFSF commits an overall amount of EUR 144.7 billion (including the already committed or disbursed amounts for PSI and bank recapitalisation), while the IMF will contribute EUR 28 billion during 4 years.

Implementation risks will remain very high. The success of the second programme depends chiefly on Greece. It crucially hinges on the full and timely implementation of fiscal consolidation and growth-enhancing structural reforms agreed under the programme. The successful debt exchange should help strengthen the reform momentum and build a consensus in favour of the difficult reforms that still lie ahead. The continuation of the very comprehensive international financial assistance can only be expected if policy implementation improves. The determination of the Greek authorities to stick to the agreed policies will be tested already in the coming months when the deficit-reducing measures to close the large gap for 2013-14 need to be identified. In a similar vein, generating sustained growth and employment will require stronger efforts to overcome the resistance of vested interests. The implementation of structural measures -- from product and service market liberalization to business environment reforms, the fight against tax evasion and the reduction in public employment -- will have to overcome bureaucratic delays, the resistance of lobbies and vested interests and break longstanding policy taboos. This requires the Government's determination, enhanced political coordination, as well as the consensus of the whole Greek Society. **The Commission services recommend the first disbursement of the second programme to take place as soon as possible.** The debt restructuring has been executed and the very comprehensive prior actions that were necessary to bring the programme back on track were completed. Taking this into account, compliance with the agreed policy measures under the first programme has been sufficient, in spite of deficiencies that this report discusses.