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*Limited*

Proposal for a

**COUNCIL IMPLEMENTING DECISION**

**on granting short term Union financial assistance to Greece**

## **EXPLANATORY MEMORANDUM**

In view of this severe economic and financial disturbance caused by exceptional circumstances beyond the control of the government, Greece officially requested financial assistance from the European Union on [XX July 2015] with a view to supporting a policy programme to restore confidence and enable the return of the economy to sustainable growth, and safeguarding financial stability in Greece, the euro area and the EU. The draft economic and financial adjustment programme (the "Programme") submitted by Greece to the Commission and the Council aims at adopting a set of reforms so as to improve the sustainability of public finances.

The programme covers the period until the end of July 2015. It aims to provide a bridge financing to allow Greece to face some urgent financial obligations until it starts receiving financial assistance under a new programme from the ESM. Against this background, the provision of Union assistance to Greece under the EFSM would safeguard financial stability in the Union and in the euro area. The union assistance would be disbursed in one instalment and be linked to economic policy conditions.

Proposal for a

**COUNCIL IMPLEMENTING DECISION**

**on granting short term Union financial assistance to Greece**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism, and in particular Article 3(2) thereof,

Having regard to the proposal from the European Commission,

Acting in accordance with a special legislative procedure,

Whereas:

- (1) Greece has requested a new financial assistance from the European Stability Mechanism and there is an agreement in principle to provide the requested assistance.
- (2) However, Greece needs bridge financing until the new programme can be put into place, in order to preserve the integrity of the euro area, financial stability and to avoid further default on its repayment obligations. In view of this severe economic and financial disturbance caused by exceptional circumstances beyond the control of the government, Greece officially requested some urgent financial assistance from the European Union on [XX July 2015] with a view to safeguarding financial stability in Greece, the euro area and the Union. The assistance to be granted to Greece by the ESM will be used to repay the loan received by Greece under the EFSM.
- (3) This draft economic and financial adjustment programme (the "Programme") submitted by Greece to the Commission and the Council aims at ensuring the adoption of a set of reforms needed to improve the sustainability of public finances and the regulatory environment.
- (4) The assessment by the Commission, in liaison with the European Central Bank (ECB), is that Greece needs financing of a total amount of EUR 7bn over the month of July 2015. The detailed financial terms should be laid down in a Loan Facility Agreement.
- (5) The Union financial assistance should be managed by the Commission.
- (6) The Council should review on a regular basis the economic policies implemented by Greece.
- (7) Greece submitted to the Commission and the Council a draft economic and financial adjustment programme (the "Programme") aiming at ensuring the adoption of a set of reforms needed to improve the sustainability of public finances and the regulatory environment. On [XX July 2015], an agreement was reached at services level between the Government and the Commission in respect of the Programme, to be laid down in a Memorandum of Understanding on Specific Economic Policy Conditionality (the "Memorandum of Understanding").

- (8) The Commission should verify at regular intervals that the economic policy conditions attached to the assistance are fulfilled, through missions and regular reporting by the Greek authorities.
- (9) The assistance should be provided with a view to supporting the successful implementation of the Programme,

HAS ADOPTED THIS DECISION:

#### *Article 1*

1. The Union shall make available to Greece a loan amounting to a maximum of EUR 7 billion, with a maximum maturity of 3 months.
2. The financial assistance shall be made available immediately after the entry into force of this Decision.
3. The Union financial assistance shall be made available by the Commission to Greece in a single instalment.
4. The instalment shall be released subject to the entry into force of the Loan Agreement and the Memorandum of Understanding.
5. Greece shall pay the cost of funding of the Union.
6. In addition, costs referred to in Article 7 of Regulation (EU) No 407/2010 shall be charged to Greece.
7. If required, in order to finance the loan in time, the Commission is allowed to borrow via a private placement of notes or via any other appropriate financial arrangement allowing to raise funds at very short term.

#### *Article 2*

1. The assistance shall be managed by the Commission in a manner consistent with Greece's undertakings.
2. The Commission, in consultation with the ECB, shall agree with the Greek authorities the specific economic policy conditions attached to the financial assistance as set out in Article 3. Those conditions shall be laid down in a Memorandum of Understanding to be signed by the Commission and the Greek authorities consistent with the undertakings referred to in paragraph 1. The detailed financial terms shall be laid down in a Loan Facility Agreement to be concluded with the Commission.
3. The Commission shall verify at regular intervals that the economic policy conditions attached to the assistance are fulfilled, and report to the Economic and Financial Committee. To this end, the Greek authorities shall cooperate in full with the Commission and the ECB, and shall place all the necessary information at their disposal. The Commission shall keep the Economic and Financial Committee informed of all relevant developments.

#### *Article 3*

1. The economic and financial adjustment programme (the "Programme") prepared by the Greek authorities is hereby approved.
2. The disbursement of the assistance shall be conditioned to Greece:

- adopting the measures mentioned in the programme as having 15 July 2015 as deadline for adoption;
- taking unambiguous steps for preparing the implementation of the other policy conditions listed in the programme and
- obtaining the agreement in principle from ESM members under Article 13(2) of the ESM Treaty to provide financial assistance to Greece.

3. Greece shall adopt timely the measures indicated below:

#### **VAT system**

- adopt legislation to reform the VAT system by 15 July 2015. The reform shall target a net revenue gain of 1 percent of GDP on an annual basis from parametric changes. The new VAT system shall: (i) unify the rates at a standard 23 percent rate, which shall include restaurants and catering, and a reduced 13 percent rate for basic food, energy, hotels, and water (excluding sewage), and a super-reduced rate of 6 percent for pharmaceuticals, books, and theatre; (ii) streamline exemptions to broaden the base and raise the tax on insurance; and (iii) eliminate discounts on islands, starting with the islands with higher incomes and which are the most popular tourist destinations, except the most remote ones. This shall be completed by end-2016, as appropriate and targeted fiscally neutral measures to compensate those inhabitants that are most in need are determined. The new VAT rates on hotels and islands shall be implemented from 1 October 2015.

#### **Pensions**

- adopt legislation to freeze monthly guaranteed contributory pension limits in nominal terms until 2021;
- adopt legislation to provide to people retiring after the entry into force of the relevant Greek legislation the basic, guaranteed contributory, and means tested pensions only at the attainment of the statutory normal retirement age of currently 67 years;
- adopt legislation to increase the health contributions for pensioners from 4% to 6% on average and extend it to supplementary pensions;
- adopt the appropriate legal instrument to instruct all pension funds to fully implement law 3863/2010 to new pension requests submitted from 1 January 2015.

#### **Statistical governance**

- adopt legislation to strengthen the governance of ELSTAT. The legislation shall cover (i) the role and structure of the Advisory bodies of the Hellenic Statistical System, including the recasting of the Council of ELSS to an advisory Committee of the ELSS, and the role of the Good Practice Advisory Committee (GPAC); (ii) the recruitment procedure for the President of ELSTAT, to ensure that a President of the highest professional calibre is recruited, following transparent procedures and selection criteria; (iii) the involvement of ELSTAT as appropriate in any legislative or other legal proposal pertaining to any statistical matter; (iv) other issues that impact the independence of ELSTAT, including financial autonomy, the empowerment of ELSTAT to reallocate existing permanent posts and to hire staff where it is needed and to hire specialised scientific personnel, and the classification of the institution as a fiscal policy body in the recent law 4270/2014; role and powers of Bank of Greece in statistics in line with European legislation.

*Article 4*

Greece shall open a special account with the Bank of Greece for the management of the Union financial assistance.

*Article 5*

This Decision is addressed to Greece.

*Article 6*

This Decision shall be published in the *Official Journal of the European Union*.

*Article 7*

This Decision shall enter into force upon notification to Greece.

Done at Brussels,

*For the Council*  
*The President*