# Statement by the European Commission, the ECB and IMF on the Fourth Review Mission to Greece

Staff teams from the European Commission (EC), European Central Bank (ECB), and International Monetary Fund (IMF) have concluded a mission to Greece to discuss recent economic developments and policies needed to keep the country's economic program on track. The mission has reached staff-level agreement with the authorities on a set of economic and financial policies needed to meet program objectives. Strict implementation of these will help to restore fiscal sustainability, safeguard financial sector stability, and boost competitiveness to create the conditions for sustained growth and employment.

Overall, significant progress, in particular in the area of fiscal consolidation, has been achieved during the first year of the adjustment program. However, reinvigoration of fiscal and broader structural reforms is necessary to further reduce the deficit and achieve the critical mass of reforms needed to improve the business climate and pave the way for sustainable economic recovery.

Regarding the **outlook**, the recession in 2010 was slightly more pronounced than what was anticipated. But there have been encouraging signs recently, in particular a notable pick-up in exports. Unit labour costs are set to decline further, supporting the strong export dynamics, and inflation is on a declining trend. We expect the economy to stabilize at the turn of the year.

In the **fiscal area**, further sustained deficit reduction will require comprehensive fiscal structural reforms. The government has committed to an ambitious medium-term fiscal strategy that will enable it to maintain its 2011 and medium-term fiscal targets. This strategy includes a significant downsizing of public sector employment, restructuring or closure of public entities, and rationalization in entitlements, while protecting vulnerable groups. On the revenue side, the government will reduce tax exemptions, raise property taxation, and step up efforts to fight tax evasion.

The government is committed to significantly accelerate its **privatization** program. To this effect it will create a professionally and independently managed privatization agency, and has drawn up a comprehensive list of assets for privatization with the aim of realizing revenues of EUR 50 billion by the end of 2015. The government will assess progress against intermediate quarterly and annual targets.

In the **financial sector**, liquidity remains tight, but policies are in place to ensure adequate liquidity provision for the banking system. The banking sector remains fundamentally sound and the authorities are increasing capital requirements to further strengthen capital buffers, giving priority to private market-based solutions. However, the Financial Stability Fund is available as a backstop for viable banks that cannot raise capital in the private market.

Further progress has been made with **structural reforms**. Legislation to modernize public administration, reform healthcare, improve the functioning of the labor market, remove barriers to setting up and operating a business and liberalize transportation and energy has already been passed or is underway. The government will continue to push ahead in these areas, with a particular emphasis in coming months on growth-drivers such as reviving the tourist industry and removing administrative barriers to exports. To make sure that the reform frameworks are effective as soon as possible, the authorities will strengthen the process of implementation, including through technical assistance from the IMF, EU Member States, and the European Commission, and put monitoring mechanisms in place.

Building on the agreed comprehensive policy package, discussions on the financing modalities for Greece’s economic program are expected to take place over the next few weeks. Once this process is concluded and following approval of the IMF’s Executive Board and the Eurogroup, the next tranche will become available, most likely, in early July.