



Press Release

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Economic Adjustment Programmes for Greece: some reform despite weaknesses, say EU auditors

The Economic Adjustment Programmes agreed for Greece after the financial crisis broke out provided short-term financial stability and made some progress on reform possible, according to a new report from the European Court of Auditors. But the Programmes only helped Greece recover to a limited extent and, as of mid-2017, had not succeeded in restoring the country's ability to finance its needs on the markets.

The first Economic Adjustment Programme was for €110 billion in 2010, with two further Programmes for €172.6 billion in 2012 and €86 billion in 2015. The Programmes were aimed at establishing a stable economic situation in Greece by covering the economy's financing needs in return for wide-ranging structural reforms, thereby preventing contagion across the rest of the euro area.

"These programmes promoted reform and avoided default by Greece. But the country's ability to finance itself fully on the financial markets remains a challenge", said Baudilio Tomé Muguruza, the Member of the European Court of Auditors responsible for the report.

The auditors found that the Commission had no prior experience in managing such a process, and that the Programmes' conditions were neither sufficiently prioritised by importance nor embedded in a broader strategy for Greece. Furthermore, the programmes' macro-economic assumptions were poorly justified. Cooperation with other institutions was effective but informal. The Commission's compliance monitoring in relation to Greece's implementation of the Programmes was sound.

The auditors also found a mixed picture in the design and implementation of reforms in four crucial policy fields: taxation, public administration, the labour market and the financial sector. Reforms to taxation and public administration brought fiscal savings, but the implementation of structural components was much weaker. The financial sector was substantially restructured, but at a considerable cost.

Overall, the auditors found that the specific objectives of the Programmes had been achieved

The purpose of this press release is to give the main messages of the special report by the European Court of Auditors. The full report is on www.eca.europa.eu.

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only to a limited extent. They did bring about significant consolidation, with the underlying budget balance improving by 17% of GDP between 2009 and 2015. However, the decline in economic activity during the same period, coupled with financing costs on previously accumulated debt, meant that Greece's debt-to-GDP ratio consistently increased. As a result, the country remains unable to fully meet its financing needs on the markets.

As part of this audit, the auditors attempted to assess the role of the European Central Bank (ECB) in the Programmes, in line with their mandate to audit the ECB's operational efficiency. However, the ECB questioned the auditors' mandate and failed to provide sufficient evidence. The auditors were therefore unable to report on the ECB's role.

The auditors make a series of recommendations to the European Commission to improve the design and implementation of Economic Adjustment Programmes. These recommendations have been accepted in full.

Notes for editors

The global financial crisis prompted an economic downturn and a debt crisis in Europe. Countries with macroeconomic imbalances and structural weaknesses faced great difficulties. Greece had benefitted from an economic boom after joining the euro, fuelled by easy access to borrowing and generous fiscal policy. However, the crisis exposed the country's vulnerabilities, and by April 2010, Greece could no longer viably finance itself on the financial markets. The country requested financial assistance from the euro area member states and the IMF.

From 2010 onwards, Greece participated in three Economic Adjustment Programmes, designed in collaboration with the European Commission, the European Central Bank and the International Monetary Fund. The third programme also involved the European Stability Mechanism. Assistance was subject to policy conditions, set by agreement between the Greek authorities and the lenders. This audit was part of a set in recent years on the actions and reforms undertaken in response to the financial crisis. It assessed how the European Commission had handled the first two Programmes and designed the third.

Special Report No 17/2017: "The Commission's intervention in the Greek financial crisis" is available on the ECA website (eca.europa.eu) in 23 EU languages.