IPOL | DIRECTORATE-GENERAL FOR INTERNAL POLICIES
EGOV | ECONOMIC GOVERNANCE SUPPORT UNIT

European Parliament

IN-DEPTH ANALYSIS

Economic Dialogue with Greece

ECON on 2 March 2016

This note presents selected information on the current status of the EU economic governance procedures and related relevant information in view of an Economic Dialogue with Mr Euclid Tsakalotos, Minister of Finance of the Hellenic Republic, in accordance with the EU legal framework, in particular Article 2a of EU Regulation 1467 as amended by Regulation 1177/2011 and Article 7(10) of EU Regulation 472/2013.This briefing is an update on a previous briefing on Greece's Financial Assistance Programme.

1. Latest economic developments

After returning to growth in 2014 and showing unexpected resilience during the first half of 2015, Greece's economy has slipped back into recession in the second half of 2015 reflecting sharp deterioration in confidence, renewed stress within the banking system (which led to imposition of capital controls[1] in June 2015) and uncertainty stemming from prolonged negotiations in the context of Greece programme review(s). According to Eurostat's preliminary data, the Greek economy contracted by 1.4% q-o-q in Q3 2015 and 0.6% q-o-q in Q4 2015. If confirmed, this data would bring real GDP contraction to 0.7% for 2015 as a whole (as compared to a 0.0% real GDP growth expected by the European Commission (COM) in the winter 2016 forecast[2)]. Looking ahead, negative carryover effects from 2015 are to weigh on output dynamics in 2016 (-0.7%) before a progressive rebound in confidence, along the *'expected easing of capital controls and compliance with the conditionality of the new ESM assistance programme'*, helps the Greek economy to return to growth in 2017 (+2.7 %). Note that between 2007 and 2015 (provisional data), the size of the Greek economy shrank by more than 26%.

Inflation, as measured by headline Harmonised Index of Consumer Prices (HICP), remained negative in 2015 for a third year in a row at -1.1%. This price decline reflects the negative effects of weak demand and lower energy prices which more than offset the impact of VAT increases implemented in summer 2015. For 2016[3] and 2017, the COM projects HICP inflation to return to the positive territory, 0.5% and 0.8% respectively, as Greece's economy is expected to gradually return to growth.

Current account deficit is projected to narrow to 1.8% of GDP in 2015 reflecting predominantly a sharp contraction in imports**.** Moreover, the COM foresees further improvements

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[1] On 29 June 2015, the Greek Government imposed capital controls to avert a collapse of its banking system. While it is still unclear for how long these controls will remain in place, they were somewhat eased in mid-August 2015.
[2] In its October 2015 World Economic Outlook, the IMF expects Greece real GDP to drop by 2.3% in 2015 and 1.3% in 2016. The updated January 2016 World Economic Outlook only shows projections for the euro area as a whole and its major economies, but not Greece.
[3] According to the latest monthly Eurostat data, annual HICP inflation declined from 0.4% in December 2015 to -0.1% in January 2016.

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in Greece's current account for 2016 and 2017, with deficit declining to 1.4% and 0.9% of GDP respectively, as *'past and ongoing structural reforms improve external competitiveness'*.

Unemployment is expected to further decline from very high levels over the period 2015-2017, mirroring output developments with a lag. According to the latest COM projections, the unemployment rate is to decline to 25.1% in 2015, 24.0% in 2016 and 22.8% in 2017. As to montly data, after peaking at 27.9 % in September 2013, the unemployment rate stood at 24.5 % in October 2015[4]. The youth unemployment rate declined from a record high of 60.5 % in February 2013 to 48.6 % in October 2015. Indeed, as shown in a recent EP study "Employment and social developments in Greece", '*unemployment and poverty mostly hit younger people for whom a system focused on pensions offers no help*'. At the same time, this study concludes that actions agreed under the third economic adjustment programme aim at completing the unfinished reform agenda since 2010, while addressing criticism against earlier programmes.

General government deficit is expected to widen to 7.6 % of GDP in 2015, according to the COM winter 2016 forecast, reflecting the negative impact of uncertainty and economic downturn on public finances as well as the effect of one-off recapitalisation measure of the banking sector completed in late 2015 (provisionally estimated at 3.3% of GDP). Going forward, the headline deficit is projected to gradually narrow over the forecast horizon to 3.4% of GDP in 2016 and 2.1 % of GDP in 2017, assuming that primary balance targets set under the ESM programme (see section 2) are met.

The significant differences and changes of the estimates for the 2015 government deficit and primary balance are an issue:

- The COM estimates in its winter forecast from January 2016 that the primary budget balance was **-3.5%** in 2015 (which falls significantly short of the **target of -0.25%** of GDP), while the latest published IMF figures on Greece (October 2015) estimated a primary budget balance of **-0.5%** for 2015 (which is also a shortfall compared to the target).

- The Greek newspaper To Vima reported on 29 February 2016 that there remain major gaps between Greece and the eurozone on the one side and the IMF on the other. "*The government and the COM agreed that Greece reached a surplus (note of EGOV: **primary surplus** must be meant) of **0.2% of GDP** with a marginal decline. The IMF instead had a **primary deficit of 0.6%** with a decline of 2%. Deputy finance minister George Chouliarakis said these numbers are "completely arbitrary" and wants the fund to clarify its intentions. (...) The return of the institutions will now be decided at a higher political level, possibly at the Eurogroup meeting on March 7.*"

The COM expects **general government gross debt to stand at 179% of GDP in 2015, before peaking at 185% of GDP in 2016[5].** This is substantially below the peak of 199.7% of GDP projected in the COM's autumn 2015 forecast as the cost of banks' recapitalisation turned out to be lower than expected.

The **distribution of the outstanding debt** across different categories of bondholders is depicted in Figure 1. Note that, in absence of consolidated 2015 general government gross debt data as yet, cash data for central government is used as a proxy (EUR 321.3 billion as of 31 December 2015[6][7]). The figure shows that the share of Greece's debt held by the Euro area governments (including

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[4] The Eurostat data as of 2 February 2016.

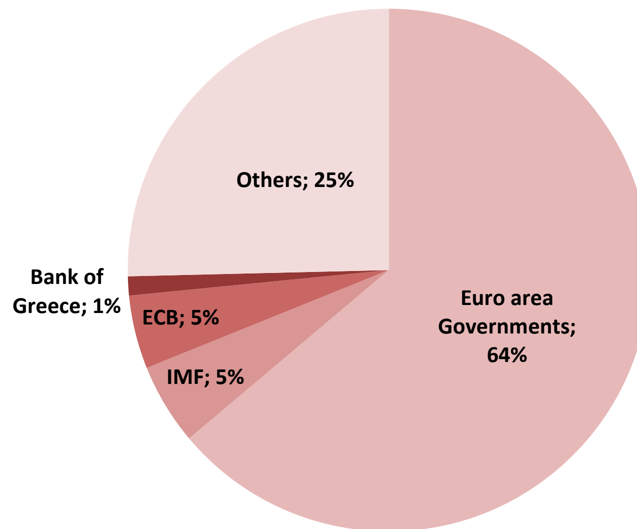
[5] This compares with 201% of GDP assumed for 2016 in the European institutions Debt Sustainability Analysis (DSA) of July 2015.

[6] For example, the outstanding central government debt at the end of 2014 amounted to EUR 324.1 billion, while the consolidated general government debt was EUR 317.7 billion at the end of 2014.

[7] According to a Reuters article of 8 October 2015, *"two thirds of Greek debt is now held by euro-zone governments that extended loans to Athens with an average maturity of 31-32 years and an interest rate of around 1 percent"*.

EFSF and ESM) stood at around 64 percent as of December 2015 (+ 4 percentage points compared to end 2014) as new funds were transferred under the third adjustment programme. At the same time, the shares of debt held by the IMF and the ECB stood at 5% each (namely 1.5 and 2 percentage points lower compared to end 2014 respectively) as bonds/loans coming to maturity during 2015 were reimbursed.

Figure 1: Greece's central government debt by holder as of 31. December 2015



Source: EGOV calculations based on COM, IMF, ECB and PDMA (Greece's Public Debt Management Agency).
Note: The share held by euro area governments comprises EFSF, ESM and bilateral loans.

Box 1: Statistics

The European Statistical Governance Advisory Board (ESGAB), as the body responsible for overseeing the implementation of the European Statistics Code of Practice with the aim of enhancing professional independence, integrity and accountability, issued in 2015 an Opinion on the implementation of the Hellenic Statistical Law (3832/2010) and Greece's commitment on confidence in statistics. It recognised in this opinion considerable progress since 2009, but it also highlighted the following concerns:

- The principle of professional independence must be implemented in practice. The relevant legislation and rules are in place but they need to be fully implemented, with the clear and active support of the government. The forthcoming amendment of Regulation (EC) No 223/2009 on European statistics will further emphasise the role and position of the heads of national statistical institutes, by adding a requirement that the procedure for appointing institute heads is transparent and based on professional criteria.
- The Greek Government's commitment on confidence in statistics must be respected and put into practice, particularly in relation to ensuring institutional independence and providing adequate financial and other resources. More specifically, the Hellenic Statistical Authority (ELSTAT) must be able to recruit and maintain a sufficiently qualified workforce.
- The wording of ELSTAT's mandate must be explicit and must be upheld in practice, especially as regards access to administrative records that could improve efficiency and quality while reducing the burden on respondents.
- The work and role of the Good Practice Advisory Committee (GPAC) as established in law should continue and its members for the next term of office should be appointed without delay.
- Principles of quality monitoring and quality assurance, as established in Regulation (EC) No 223/2009 and the European Statistics Code of Practice, must be respected. This includes the requirement that European statistics produced in accordance with Article 338 of the Treaty on the Functioning of the European Union comply with the statistical principles laid down in that article, regardless of national arrangements and the national distribution of tasks. ELSTAT is the national coordinator and the contact point for Eurostat on this issue.

Box 2: Refugee Crisis

The COM informed in January 2016 that **804.000 migrants came from Turkey to Greece in the second half of 2015**. Out of five identified hotspots for registering and dealing with their cases, one is operational (Lesvos), two (Leros and Chios) are expected to be operational in February, one (Samos) is to open by March at the latest, while the Greek authorities have put on hold the works on the fifth one (Kos). On relocation, the COM noticed that 272 people have been relocated out of 160 000 agreed in September by the Council. The COM states that relocation from Italy and Greece needs to be speeded up as a matter of priority and that it will explore the need for additional relocation initiatives. In this regard, the COM is to propose in 2016 a legal migration package along reinforced financial support.

On 27 January 2016, the COM issued a press release on the outcome of its discussion of the draft **Schengen Evaluation Report on Greece**. This draft report (which is not public) finds '*serious deficiencies in the management of the external border in Greece*' following an unannounced control at the Turkish-Greek border in November 2015. While acknowledging that the Greek authorities are under pressure, the report shows, among others, that there is a lack of effective identification and registration of irregular migrants. Under the current Schengen Borders Code, the COM can propose recommendations to the Member State concerned which are to be approved by a Committee of the Member States (via qualified majority vote). If, after three months following the approval, the serious deficiencies persist, the COM may trigger the procedure provided for in Article 26 of the Schengen Borders Code, namely reintroduction of border controls.

On 10 February 2016, the COM issued a Communication on **Managing the refugee crisis: State of Play,** taking stock of the implementation of the actions agreed in response to the refugee crisis and highlighting key areas where more action is needed in the immediate term to restore control of the situation.

At the **European Council of** 18-19 February 2016, EU leaders concluded that *'the objective must be to rapidly stem the flows, protect our external borders, reduce illegal migration and safeguard the integrity of the Schengen area'*. They also stressed the necessity to build a European consensus on migration and confirmed their intention to organise a further EU-Turkey Summit in March. Furthermore, the European Council conclusions highlight that *'the comprehensive strategy agreed in December [2015] will only bring results if all its elements are pursued jointly and if the institutions and the Member States act together and in full coordination'*. This includes the decisions on relocation and measures to ensure returns and readmission. Finally, as far as the COM's 'European Border and Coast Guard' proposal is concerned, work should be accelerated with a view to reaching a political agreement under the Netherlands Presidency and to make the new system operational as soon as possible.

Finally, the latest **official figures on refugees in Member States** and the EU as a whole are published in the quarterly asylum report of Eurostat (at the time of writing, the cut-off date is Q3 of 2015).

2. Third financial assistance programme: Main elements and state of play

2.1. Main elements

Following Greece's request for further financial assistance of 9 July 2015, the COM signed on 19 August 2015[8] (on behalf of the members of the euro area) **a Memorandum of Understanding (MoU) with Greece for a third economic adjustment programme of up to EUR 86 billion for the period 2015-18** [9] (Article 13 of the ESM Treaty). In particular, it outlines a reform agenda in the following areas: (1) fiscal sustainability; (2) safeguarding financial stability; (3) growth, competitiveness, investment; and (4) modern state and public administration structure. Greece is to coordinate with the COM's Structural Reform Support Service to demonstrate its commitment.

[8] On 19 August, the Greek Prime Minister also sent a letter to the European Parliament requesting its stronger involvement in the regular review process in implementing the programme. A day later, he resigned, triggering the sixth general elections in eight years on 20 September 2015. Following his re-election, PM Tsipras (Syriza) has renewed his party’s coalition with the nationalist Independent Greeks (Anel), the junior partner in his previous government.

[9] According to Article 7.2 of Regulation (EU) No 472/2013, the Council shall, on a proposal by the Commission, approve the macroeconomic adjustment programme prepared by the Member State requesting financial assistance.

The Greek authorities have made a commitment to achieve a **primary surplus** (revenues less expenses without interests payments) **over the medium-term of 3.5 % of GDP,** so as to progressively strengthen the sustainability of public finances (see Table 1 below).

Table 1: Primary surplus targets and GDP growth path underpinning the third financial assistance programme to Greece

Year	**Primary surplus target** (MoU)	**GDP growth** (EU eligibility analysis for ESM programme)
2015	-0.25%	-2.3%
2016	+0.5%	-1.3%
2017	+1.75%	+2.7%
2018	+3.5%	+3.1%

Sources: MoU and EU Debt Sustainability Analysis

In accordance with the MoU, the primary surplus targets are to be achieved by:

- **Pension savings** of around **0.25 % of GDP** in 2015 and **1.0 % of GDP** by 2016 (see pp. 13-14 of the MoU);
- **Health care sector:** various measures (see pp. 15-16 of the MoU);
- **Tax, revenue, and financial management reforms**, including various measures against tax fraud and evasion. A minimum VAT income of EUR 2.65 billion is to be ensured. Property tax rates will be aligned with market prices from 2017 and zonal property values are to be revised. The authorities are to improve the collection of tax debt, introduce independent agencies and make the Fiscal Council independent and operational. Many other tax related reform measures are included in the MoU (see pp. 6-11 of the MoU).

In addition, Greece was requested to enact, by October 2015, **structural measures expected to yield at least 0.75 % of GDP coming into effect in 2017 and 0.25 % of GDP in 2018**, so as to help achieve medium-term budgetary targets. The measures would include, inter alia, defence expenditure savings, personal income tax reform and the freezing of public spending.

The Greek authorities have made a commitment to finalise a **strategy for the monitoring of the financial system**, whereby all banks are required to submit quarterly funding plans to the Bank of Greece (BoG). A buffer of up to EUR 25 billion is to be set aside to address potential recapitalisation needs and resolution of banks, to be compared with the capital shortfalls of EUR 14.4 billion in the SSM's adverse scenario of 02 November 2015 (see Section 4 below).

The Government has also made a commitment to review all labour market institutions, adopt an integrated action plan to fight undeclared and under-declared work, expand vocational education and training, increase the capacity of the Ministry of Labour, open restricted professions, reduce the administrative burden of companies based on OECD recommendations, facilitate trade, improve EU funds absorption for agriculture and reform the electricity and the gas markets.

Proceeds from privatisation (e.g. of national and regional airports, harbours, energy providers, railway services, telecommunication providers) are to help reduce the Government's financing needs. The implementation of the Asset Development Plan (ADP) is expected to generate EUR 1.4 billion in 2015, EUR 3.7 billion in 2016 and 1.3 billion in 2017.

A new independent guarantee fund is to be established and have in its possession valuable Greek assets. An independent Task Force[10] will identify potential assets as well as the best options for their monetisation, so as to help in the repayment of ESM loans. The fund is foreseen to generate about EUR 50 billion, of which the first EUR 25 billion are to be attributed to the

[10] The mandate and composition of this Task Force is to be defined by the Greek authorities, in agreement with the European institutions and in consultation with the Eurogroup.

repayment of the recapitalisation of banks, while the remaining proceeds are to be used for debt reduction and investments in the same proportions (up to EUR 12.5 billion each).

A comprehensive three-year strategy was to be defined by December 2015 (in agreement with the COM) for **the reorganisation of administrative structures**, involving the rationalisation of administrative processes, the optimisation of human resources, the strengthening of transparency and accountability, the introduction of e-government and the formulation and implementation of a communication strategy. Consequently, the Greek authorities have made a commitment to, among other things, reform the public sector wage grid and better link wages with the skill, performance, responsibility and position of staff (to be effective as of 1 January 2016).

2.2. State of play

The **first sub-tranche of EUR 16 billion** has been disbursed in several payments between August and December 2015 and is expected to be used by the government for debt service, budget financing, and co-financing projects funded by EU structural funds:

- A first disbursement of EUR 13 billion was made immediately on 20 August 2015 given that some of the called prior actions had already been implemented (see the COM's report of 14 August 2015 on Greece's compliance with the draft MoU commitments and the commitments in the Euro Summit statement of 12 July 2015);
- The remaining disbursements were made on 24 November 2015 (EUR 2 billion) and on 23 December 2015 (EUR 1 billion) as a follow-up to the following reforms:
  - (a) On 16 October 2015, the Greek government legislated up to 30% of the prior actions (16 out of 49), among which penalties on early retirement and an increase in property taxes (ESM, EU Observer and Ekathimerini).
  - (b) In November 2015, the Greek Parliament approved a bill which builds on previous legislation for the calculation of pensions, addresses compliance with EU energy efficiency rules, lifts obstacles for the sale of Greece's largest port and scraps tax breaks for farmers (Reuters).
  - (c) Measures to stimulate competition in the energy sector as well as a new law to help banks manage their exposure to non-performing assets (i.e. legislation on non-performing loans and household insolvency) which is supposed to help the recapitalisation process (see Eurogroup statement of 23 November).

Table 2: Overview of disbursements

Date	Amount (EUR)	Maturity	Cumulative amount (EUR)
20/08/2015	13 bn	Amortization from 2034 to 2059	13 bn
24/11/2015	2 bn	Amortization from 2034 to 2059	15 bn
01/12/2015	2.7 bn	Interim maturity coinciding with maturity of ESM notes[a)]	17.7 bn
08/12/2015	2.7 bn	Interim maturity coinciding with maturity of ESM notes[a)]	20.4 bn
23/12/2015	1 bn	Amortization from 2034 to 2059	21.4 bn

Source: ESM. a) The final maturity will be in line with the maximum weighted average loan maturity of 32.5 years.

The **second sub-tranche of up to EUR 10 billion was earmarked to cover recapitalization and resolution costs of the Greek banking sector**. Since the the country has cleared important hurdle by securing sufficient interest for the recapitalisation exercise among private investors, the four systemic banks in Greece are considered by the creditor institutions to stand on their own feet again, albeit two banks had to rely on public support to complement their recapitalisations (the concerned banks were Piraeus and National Bank of Greece). Therefore, the Eurogroup and subsequently the ESM Board of Directors authorised the transfer of two tranches of **EUR 2.7 billion each** on 1 December and 8 December 2015 respectively to the Hellenic Financial Stability Funds (HFSF).

The transfers followed the COM's approval of additional state aid based on the bank's amended restructuring plan. EUR 4.6 billion remain available from the original EUR 10 billion designated for the Greek banking sector. These funds are held in a segregated account at the ESM. Future releases of funds to the HFSF will be decided by the ESM on a case-by-case basis.

The Eurogroup of 7 December 2015 was informed by the institutions and the Greek Minister for Finance that the recapitalisation of the Greek banking sector will not require more than the amount of up to EUR 10 billion currently available under the programme for this purpose. This is significantly lower than the envelope of up to EUR 25 billion earmarked for bank recapitalisation at the beginning of the Greece programme.

Since end of December 2015, the **total disbursed amount** of ESM financial assistance for Greece has remained at EUR 21.4 billion, which is around **25% of the maximum amount of assistance foreseen in the programme** (EUR 86 billion).

The Eurogroup of 14 January 2016 called on the Greek authorities to cooperate constructively with the institutions to ensure a smooth and thorough first review, which starts on 21 January: "*Successful completion of this exercise would pave the way for decisions on possible debt relief measures and an IMF programme, as agreed by the heads of state or government in July 2015.*"

Teams from the COM, ECB, ESM and **IMF were in February 2016 in Athens to assess the Greek authorities' progress on the reforms agreed**, including plans to reach their ambitious medium term fiscal targets. Syriza has so far resisted pressure from creditors to impose pension cuts by March (Financial Times). The pension reform has become an urgent priority as "*Greece's pension system is unaffordable. As it stands the contributions are not sufficient to finance the generous level of benefits requiring transfers of the state of close to 10 percent of GDP each year. Addressing the imbalance in the system through pension reform is essential to the sustainability of public finances*" the IMF said.

On 11 February 2016, the Eurogroup called on the Greek authorities and the mission staff to continue their constructive cooperation and to work towards the rapid finalisation of the review, which covers issues such as pension reform, fiscal strategy and making the privatisation fund operational.

Box 3: The EP's role in adjustment programmes as specified in Regulation 472/2013

Article 7(1) and 7(4): COM shall orally inform the Chair and Vice-Chairs of the competent committee of the EP of 1) the progress made in the preparation of the macroeconomic adjustment programme and 2) the conclusions drawn from its monitoring. That information shall be treated as confidential.

Article 7(10): The competent committee of the EP may offer the opportunity to the Member State concerned and to COM to participate in an exchange of views on the progress made in the implementation of the macroeconomic adjustment programme.

Article 18: The EP may invite representatives of the Council and of COM to enter into a dialogue on the application of this Regulation.

3. Debt Sustainability Analyses

Article 13.1 of the ESM Treaty, as well as Article 6 of Regulation (EU) No 472/2013 on surveillance of Member States with serious difficulties with respect to financial stability, requires the COM to assess whether the public debt of a Member State requesting financial assistance is sustainable, where appropriate with the IMF. Similarly, Article V.3 of the IMF agreements sets the conditions governing the use of IMF resources, including the capacity of the receiving country to repay its debt to IMF.

Box 4: Public Debt Sustainability Analysis

The Debt Sustainability Analysis (DSA) is an analytical framework that helps assessing a country's capacity to service its public debt over time, while financing its policy objectives without compromising its stability.

To this end, **two indicators** are typically used:

- The general government **Debt-to-GDP** ratio, which provides an overall measure of the country's debt compared to the size of its economy;
- The general government **Gross Financing Needs-to-GDP (GFN-to-GDP)**, which quantifies the country's debt payment obligations (principal plus interests), in relation to its economy. This indicator takes into account the debt structure (i.e. maturity, interest rates and interest deferrals).

The two indicators are interrelated, though the GFN-to-GDP ratio seems to better capture the country's short- and medium-term financial stability risks. In fact, low financing needs are generally associated with lower debt rollover and thereby reduced financial stability risks, and *vice versa*.

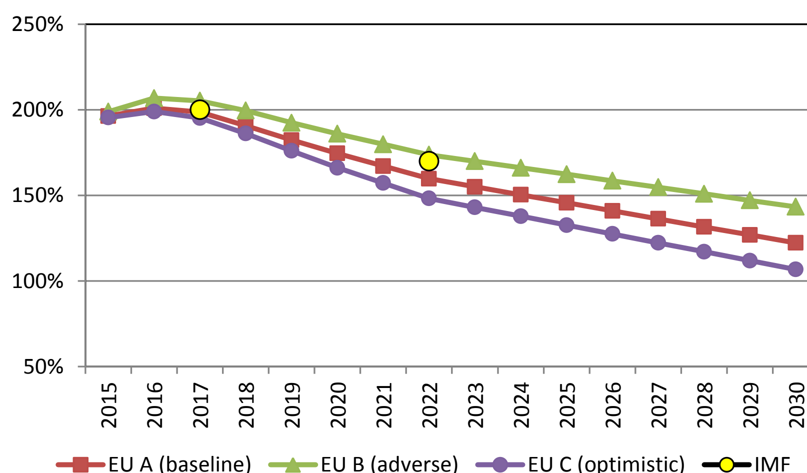
In practice, it is difficult to establish **numerical thresholds for debt sustainability**. As to debt-to-GDP ratio, thresholds appear to vary across countries depending on macroeconomic fundamentals and debt management capacities (e.g. Argentina defaulted when its debt was around 60% of GDP, while Japan has continued to sustain debt of more than 200% of GDP). The IMF benchmark is set at 85%.

Regarding the GFN-to-GDP indicator, the IMF guidelines (p. 32) indicate that the ratio would need to remain below 15%-20% to ensure debt sustainability.

The **DSAs** are essentially constituted of projections and forecasts for the relevant economic indicators. As with all forecasts and projections, they are based on models and assumptions that vary across institutions and time. Both the IMF and the Commission have developed their own methodological frameworks, which include a "baseline scenario" as well as "alternative scenarios" that are built up under different assumptions regarding policy variables, macroeconomic developments, and financial conditions.

In the latest DSA of 13 August 2015 (which updated the DSA of 10 July 2015) the **European institutions** stated that Greece's debt sustainability deteriorated significantly (with respect to the projections of April 2014, the date of the latest review, as well as to those of July 2015). Three scenarios were developed: scenario A corresponded to the latest growth forecasts and full implementation of the programme; scenario B was based on less optimistic assumptions on both the growth rate and the programme implementation; while scenario C was more optimistic and assumed higher growth and privatisation revenues. In all three scenarios, the debt-to-GDP ratios remain well above 110 % in 2022 – a level that the COM considered sustainable in 2012. Actually, debt-to-GDP would fall below 110 % only in 2030 and under the optimistic scenario C. For GFN-to-GDP, the COM estimates that they will amount to an average of 12 % in the 2020-2030 period, and will exceed the 15 % limit in the following decades; the COM made the estimate for GNF only under the adverse scenario B.

Figure 2: Greece's debt-to GDP ratio projections (Debt Sustainability Analysis)



Sources: EU institutions (COM, ECB and ESM) and IMF.

In July 2015, the **IMF updated** its detailed preliminary debt sustainability analysis of 26 June 2015 (see also a transcript of a press briefing of 3 September 2015): Due to the deterioration in the economic situation as a result of the closing of the banking system, Greece's public debt was projected to peak at 200 % of GDP in 2017, before declining to about 170 % of GDP in 2022. GFN-to-GDP, already now above the 15 % threshold that is deemed safe, continues to rise in the long term.

The **Eurogroup,** according to its statement on the ESM Programme of 14 August 2015:

- Stands ready to consider, if necessary, possible additional measures (possible longer grace and repayment periods) aiming at ensuring that Greece's gross financing needs remain at a sustainable level. These measures will be conditional upon full implementation of the measures agreed in the ESM programme and will be considered after the first positive completion of a programme review;
- Reiterates that nominal haircuts on official debt cannot be undertaken;
- Considers the continued programme involvement of the IMF as indispensable and welcomes the intention of the IMF management to recommend to the Fund's Executive Board to consider further financial support for Greece once the full specification of fiscal, structural and financial sector reforms has been completed, and once the need for additional measures has been considered and an agreement on possible debt relief to ensure debt sustainability has been reached. Resulting policy conditionality will be a shared one as the policy conditionality underlying the ESM macroeconomic adjustment programme is developed in parallel to the one of the IMF. Once approved, the full re-engagement of the IMF is expected to reduce the ESM financing envelope accordingly;
- Welcomes the positive assessment of IMF staff of the policy conditionality contained in the MoU as confirmed by the IMF Managing Director and looks forward to an IMF programme based on the latter.

Christine Lagarde, the **IMF**'s managing director, told Swiss newspaper *Le Temps* in an interview in August 2015 regarding Greece's debt restructuring that: "*We are talking about extending maturities, reducing rates, [making] exemptions for a certain period of time. We are not speaking about cancelling debt*." Also, she is reported to state on 22 January 2016 that "*the IMF stands ready to continue to support Greece in achieving robust economic growth and sustainable public finances through a credible and comprehensive medium-term economic program. Such a program would require strong economic policies, not least pension reforms as well as significant debt relief from Greece's European partners to ensure that debt is on a sustainable downward trajectory.*" More recently, on 4 February 2015, Ms. Lagarde said, "*I have always said that the Greek program has to work on two legs, one leg is of significant reforms, and the other one is debt relief. We would proceed on that view, significant reform, debt relief. If the pension reform cannot be as significant, substantially, deeply reformed as needed, it will mean more debt relief on the other side*."

Alexis Tsipras, the Greek Prime Minister, mentioned during the presentation the budget to Parliament on 7 October 2015 that Greece will "*propose an extension of the loan maturities and a reduction of interest rates"* on the official loans, as well as a growth clause (linking interest payments to economic expansion) and a longer grace period on interest payments.

Jeroen Dijsselbloem, the President of the Eurogroup, commented in an interview with Reuters of 8 October 2015 on the IMF statement that, while capping annual debt servicing costs at 15 percent of GDP was a standard that worked for most economies, Greece might need more generous terms with annual costs limited to 10 percent of GDP. "*My understanding was that the IMF always works on the 15 percent standard, but if they say that this is too high for Greece, then this is one of the issues we will have to discuss with them*".

4. Banking sector and financial stability: Latest developments

The banks' financial positions deteriorated steadily in 2015

In 2014, the four largest Greek banks completed major achievements towards re-establishing profitability: after successfully raising significant amount of capital from private investors (EUR 8.3 billion), they continued to restructure their businesses and improved their interest margins while the deterioration in asset quality stabilised in the last quarter of the year. A robust increase in deposits, coupled with a renewed access to capital markets (all four banks issued bonds in the first half of 2014), enabled banks to repay the costly emergency liquidity assistance (ELA) provided by the Bank of Greece since the large deposit outflows of 2012. On the basis of the restructuring plans approved by the COM in 2014, the comprehensive assessment carried out by the ECB did not unveil additional capital needs on top of the capital raised from April to July 2014. At the end of 2014, the four banks were thereby able to report comfortable Common Equity Tier 1 capital ratios (from 12.4 % to 15.2 %).

The financial positions of the Greek banks have deteriorated steadily since the announcement of new elections in mid-December 2014. Significant and continuous deposit outflows strongly weakened their liquidity positions: from mid-December 2014 to end-June 2015, more than 25% of total deposits were withdrawn. Since Greek banks (and Greece itself) had lost access to money markets, they had to rely on central bank refinancing. In February 2015, the ECB lifted the waiver granted to Greek government bonds, which then became ineligible for regular refinancing operations. In the meantime, it allowed Greek banks to rely on ELA, and successively increased the ceiling in order to accommodate the rising needs of the Greek banking system. But the deteriorated economic environment and the political uncertainty had a detrimental impact on the quality of loans portfolio, with **a new acceleration in non-performing loans**. The impact of ELA on the funding costs, as well as the worsening asset quality, casted doubts as to the resilience of Greek banks.

Box 5: The 2015 comprehensive assessment of the four largest Greek banks

The comprehensive assessment consisted of an asset quality review and a stress test under two macroeconomic scenarios. The two macroeconomic scenarios were relatively severe (growth of -3.3%, -3.9% and +0.3% respectively in 2015, 2016 and 2017 in the adverse scenario), as were the thresholds used to calculate the capital shortfalls (9.5% of CET1 under the AQR and baseline scenario, 8% under the adverse scenario), notably when compared to the previous EU-wide exercise (8% and 5.5% respectively). However Greek government exposures bear a 0% risk-weight, in line with the EU regulatory framework.

Table: Results of the 2015 comprehensive assessment

		threshold	NBG	Eurobank	Alpha	Piraeus	Total
CET1 capital amount *in EUR*	*as of 30/06/2015*		7.412	5.389	6.792	6.189	**25.781**
Risk Weighted Assets *in EUR*	*as of 30/06/2015*		63.870	39.218	53.516	57.113	**213.716**
CET1 capital ratio	*as of 30/06/2015*		11,6%	13,7%	12,7%	10,8%	**12,1%**
in %	*post AQR*	*9,50%*	8,1%	8,6%	9,6%	5,5%	**7,9%**
	in the baseline scenario	*9,50%*	6,8%	8,7%	9,0%	5,2%	**7,6%**
	in the adverse scenario	*8,00%*	-0,2%	1,3%	2,1%	-2,3%	**0,1%**
Capital shortfall(-) / buffer(+)	*post AQR*	*9,50%*	- 831	- 339	73	- 2.188	**- 3.285**
in EUR	*in the baseline scenario*	*9,50%*	**- 1.576**	**- 339**	**- 263**	**- 2.213**	**- 4.391**
	in the adverse scenario	*8,00%*	**- 4.602**	**- 2.122**	**- 2.743**	**- 4.933**	**- 14.401**

Source: ECB.

In the end of June 2015, following the failure of negotiations on the closure of the second programme, **the ECB decided to maintain the ELA facility but stopped raising the overall cap, which triggered the need for capital controls**. The banks remained closed for three weeks and a limit of EUR 60 per day per bank card was imposed, while transfers abroad would need government approval. On 12 July 2015, the Euro Summit agreement paved the way for an additional lift in the ELA ceiling and the subsequent reopening of Greek banks. However, the imposition of capital controls is likely to have long-lasting effects on their asset quality. As a result, the MoU provided that the ECB would carry-out a comprehensive assessment of the four Greek banks by end of 2015.

The recapitalisation process is completed

On 31 October 2015, the ECB unveiled the results of the 2015 comprehensive assessment. The four main Greek banks reported capital shortfalls of EUR 4.4 billion in the baseline scenario and EUR 14.4 billion in the adverse scenario. The outcome was better than initially expected, since an envelope of EUR 25 billion had been reserved for that purpose in the third economic adjustment programme. The Greek Parliament approved the new recapitalisation law on the same day (31 October 2015). Banks were requested to raise private capital through share capital increases, bond swaps or asset sales.

The capital raising exercise confirmed some investors were willing to invest again in the Greek banking sector, albeit most of the money injected in 2014 had been lost. Indeed, all four large Greek banks managed to raise significant amounts of capital (see table 3), and thereby escaped resolution:

- Both Alpha Bank and Eurobank managed to raise the full amount of capital required from private investors or through the conversion of creditors into equity;
- NBG and Piraeus Bank managed to raise from private investors or through conversion of creditors the amount of capital requested under the baseline scenario, that is to say those two injections of capital by the Greek authorities were considered *precautionary* in the meaning of article 32.4 of the BRRD and therefore did not trigger resolution. In line with State aid rules and with the Eurogroup statement of 14 August 2015, all subordinated and senior bondholders were bailed-in in those two banks through the conversion of their notes into new equity, thereby reducing the amount of State aid needed. The preference shares issued by NBG, which were held by the Hellenic Republic, were also converted into equity.

The HFSF subscribed two categories of instruments: ordinary shares (25% of the total amount injected by the HFSF in NBG and Piraeus Bank) and contingent convertible instruments. Those State aid measures were approved by the COM on 29 November (Piraeus Bank) and 4 December 2015 (National Bank of Greece) on the basis of updated restructuring plans. On 22 December 2015, NBG announced the sale of its major Turkish subsidiary (Finansbank A.Ş), and indicated that, pending supervisory approval, the proceeds from the sale would be used to repay the contingent convertible instruments subscribed by the HFSF. This could further reduce the amount of funds needed in the framework of the Third programme.

Table 3: Summary of the 2015 capital raising exercise

m€	NBG	Eurobank	Alpha Bank	Piraeus Bank	Total	%
Conversion of creditors into equity	759	418	1.011	582	**2.769**	*19%*
Capital raised from private investors	757	1.621	1.552	1.340	**5.271**	*37%*
Capital injected by the HFSF	2.706	-	-	2.720	**5.426**	*38%*
of which ordinary shares	*676*			*680*	*1.356*	*9%*
of which contingent convertible instruments	*2.029*			*2.040*	*4.069*	*28%*
Other capital actions	380	83	180	291	**935**	*6%*
Total capital shortfall	**4.602**	**2.122**	**2.743**	**4.933**	**14.400**	*100%*

sources: EGOV based on banks' websites

The shareholding structure of all four banks has been significantly impacted by those recapitalisations, since former shareholders were heavily diluted, losing from 83% to 99% of the control over the Greek banks. The HFSF now owns between 2% and 40% of those banks when it held 35% to 67% as of 30 September 2015. However, the shares subscribed by the HFSF in 2013 had restricted voting rights, while the new shares subscribed in 2015 do not. Therefore the HFSF will be able to exercise an influence in those banks where it holds significant shareholdings. The HFSF announced on 14 January that it had initiated its assessment of the Boards of Directors of the four systemic banks. It is to be noted that the CEO of Piraeus Bank, Mr. Anthimos Thomopoulos, resigned from his function on 15 January 2015.

Table 4: Value of the HFSF shareholding in the four large Greek banks

		NBG	Eurobank	Alpha Bank	Piraeus Bank	Total
shareholding February 2016	HFSF	40,4%	2,4%	11,0%	26,4%	20,7%
	Other shareholders	59,6%	97,6%	89,0%	73,6%	79,3%
	Total former shareholders	100,0%	100,0%	100,0%	100,0%	100,0%
book value and market value	**Equity - 30/09/2015 pro forma**	**6.332**	**4.545**	**7.772**	**6.113**	**24.762**
	of which equity held by the HFSF	*2.558*	*108*	*856*	*1.615*	*5.137*
	Market value - 29/02/2016	**1.692**	**1.016**	**2.321**	**1.179**	**6.208**
	of which shares held by the HFSF	*683*	*24*	*256*	*311*	*1.275*

sources: EGOV based on HFSF's interim financial statements as of 30/09/2015 and www.helex.gr

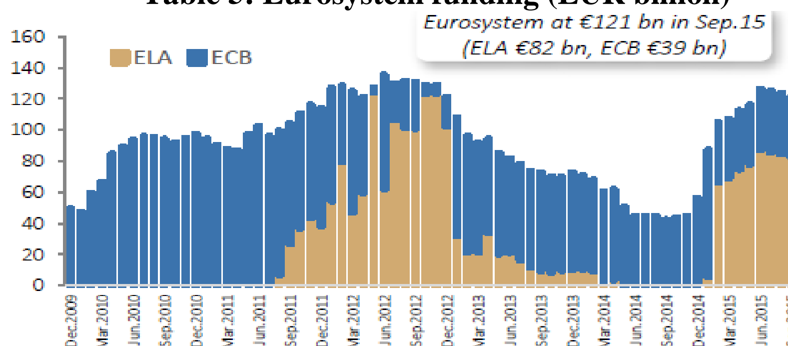
As of 30 September 2015 (before the further dilution of its shareholding), the HFSH had already lost EUR 34.1 billion out of the invested capital amounting to EUR 38.8 billion[11]. As of 29 February 2016, the market value of the HFSF shareholding in those banks was less than EUR 1.3 billion[12] for a current book value estimated at about EUR 5 billion[13]. Therefore only a marginal part of the incurred loss could potentially be recovered over time through an appreciation of the market value.

Greeks banks remain vulnerable

The burden of non-performing loans (NPL) constitutes an acute challenge for the Greek banks, with NPL (loans 90 days past due) amounting to more than 40% of total loans at the end of September 2015[14]. The Eurogroup statement of 14 August 2015 urged "*the authorities to take all necessary steps (...) including opening the market for NPL servicing (...) and exploring the possibility of a bad bank*". A number of measures were therefore committed to that end in the MoU of 19 August 2015, albeit it did not mention any concrete step toward the creation of a bad bank, beyond an assessment by the Bank of Greece of the banks' capacity to deal with each NPL segment.

In addition, the Greek banks remain heavily exposed to the Greek sovereign risk. At the end of March 2015, Greek banks held EUR 12.8 billion of State-guaranteed deferred tax assets, which are not deducted from capital. In addition, at the end of September 2015, the four Greek banks held EUR 5 billion of Greek government bonds and EUR 9 billion of treasury bills. That means the total exposure to the Greek sovereign risk amounts to about EUR 27 billion, to be compared to the total amount of equity as of 30 September 2015 (pro forma for the asset quality review and recapitalisation exercise), which stands at about EUR 25 billion.

Table 5: Eurosystem funding (EUR billion)



Source: Piraeus Bank, Q3 2015

[11] This includes losses related to the liquidation of small banks, amounting to about EUR 11.1 billion as of 30 September 2015.
[12] EGOV calculation based on the Hellenic Stock Exchange (www.helex.gr).
[13] EGOV estimation based on the common equity of the banks post AQR, taking into account the amount of capital raised and the conversion of debt instruments in the second half of 2015.
[14] Source: EBA Risk dashboard as of Q3 2015.

Finally, the liquidity position of Greek banks remains very fragile, with a strong reliance on ELA (see table 5). Central bank refinancing amounted to EUR 120 billion for the four largest banks at the end of September 2015, that is to say about 35% of their total assets. As to the provision of ELA by the Bank of Greece, the ceiling set by the ECB decreased from EUR 91 billion at the peak in August 2015 to EUR 71.4 billion in February 2016, partly on the back of the recapitalisation of the four large banks.

Table 5: Selected banking indicators for Greece

End of period	*Dec-13*	*Dec-14*	*Jun-15*	*Sep-15*	*Dec-15*	*Jan-16*
Domestic residents deposits (in EUR million)	177.018	173.220	130.502	130.542	133.788	132.245
Market Capitalisation 4 largest banks (in EUR million)	26.905	19.473	12.910	3.526	11.666	8.304
NPL ratio in Greece (%)	37,1%	39,7%	42,0%	43,5%	*n.a.*	*n.a.*

Sources: Bank of Greece, Bankscope, Helex and EBA Risk Dashboards

Box 6: EBA Risk Dashboard: benchmarking Greek banks to EU peers

On 23 February 2016, the European Banking Authority (EBA) published its periodical update that summarises the main risks and vulnerabilities in the European banking sector ("Risk Dashboard Q4 2015"), showing the situation as per third quarter of 2015 for a sample of 154 European banks, among those four Greek banks (Alpha Bank; Eurobank; National Bank of Greece; Piraeus Bank).

Overall, the risk indicators used by EBA suggest that European banks are currently not in a very comfortable position, and Greek banks show even higher levels of risk.

While the EU banks' capital ratios further increased in Q3 2015 and reached 12.3% on average ("fully loaded", i.e. being calculated without applying the transitional provisions set out in Part Ten of the CRD IV Regulation), that of Greek banks stood below 10%, marking the last place in the sample at country level. However this refers to the capital position before the banks had to address their capital shortfalls of EUR 14.4 billion in aggregate. The asset quality review and the recapitalisation had a net impact of about 200 basis points (+2.0%) on the CET1 ratio of the four larger Greek lenders, which now stands closer to the EU average.

In general, the quality of banks' loan portfolios improved, though remaining a concern. For Greek banks, however, the level of non-performing loans certainly represents the most challenging burden, as the average ratio of non-performing loans well exceeded 40% in the third quarter 2015; in comparison, that ratio stood at only 5.9% at EU level.

Profitability of European banks is in general still low. The average Return-on-Equity decreased in the third quarter 2015 to 6.4%; Greek banks performed even much worse in this respect, as credit losses resulted in negative Return-on-Equity rates exceeding minus 20% on average. On the other hand, the net operating profits (2.9%) and the cost-to-income ratio of Greek banks (about 55%) are better than the EU averages (2.1% and 60% respectively).

As regards the balance sheet structure, Greek banks still strongly rely on central bank funding which requires pledging their assets in order to secure or collateralise the transactions. Greek banks therefore have an asset encumbrance ratio exceeding 45%, which is markedly higher than the EU average (26.6%).

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Annex 1: Greece's key economic indicators

	2011	2012	2013	2014	2015 (f)	2016 (f)	2017 (f)
GDP Growth (%)							
Greece	-9.1	-7.3	-3.2	0.7	**0.0**	**-0.7**	**2.7**
Euro area	1.6	-0.9	-0.3	0.9	**1.6**	**1.7**	**1.9**
Government balance (% of GDP)							
Greece	-10.2	-8.8	-12.4	-3.6	**-7.6**	**-3.4**	**-2.1**
Euro area	-4.2	-3.7	-3.0	-2.6	**-2.2**	**-1.9**	**-1.6**
Structural balance (% of potential GDP)							
Greece	-6.4	-0.2	2.3	1.3	**-0.6**	**-0.1**	**-0.7**
Euro area	-3.6	-2.1	-1.4	-1.0	**-1.1**	**-1.3**	**-1.4**
Government debt (% of GDP)							
Greece	172.0	159.4	177.0	178.6	**179.0**	**185.0**	**181.8**
Euro area	86.7	91.3	93.4	94.5	**93.5**	**92.7**	**91.3**
Inflation (%)							
Greece	3.1	1.0	-0.9	-1.4	**-1.1**	**0.5**	**0.8**
Euro area	2.7	2.5	1.3	0.4	**0.0**	**0.5**	**1.5**
Unemployment (% of labour force)							
Greece	17.9	24.5	27.5	26.5	**25.1**	**24.0**	**22.8**
Euro area	10.1	11.4	12.0	11.6	**11.0**	**10.5**	**10.2**
Youth Unemployment* (% of labour force)							
Greece	44.7	55.3	58.3	52.4	n.a.	n.a.	n.a.
Euro area	21.3	23.4	24.2	23.8	n.a.	n.a.	n.a.
Current account balance (% of GDP)							
Greece	-10.4	-4.2	-2.2	-3.0	**-1.8**	**-1.4**	**-0.9**
Euro area	0.6	1.9	2.5	3.0	**3.7**	**3.6**	**3.4**
Exports (% change)							
Greece	0.0	1.2	2.2	7.5	**0.0**	**1.9**	**3.9**
Euro area	6.5	2.6	2.1	4.1	**5.1**	**4.2**	**5.0**
Imports (% change)							
Greece	-9.4	-9.1	-1.9	7.7	**-1.9**	**0.6**	**2.7**
Euro area	4.3	-1.0	1.3	4.5	**5.7**	**5.0**	**5.6**
Domestic demand (% change)							
Greece	-11.1	-9.9	-4.2	0.9	**-0.7**	**-1.1**	**2.3**
Euro area	0.7	-2.4	-0.7	0.9	**1.7**	**2.0**	**2.0**
Investments (% change)							
Greece	-20.5	-23.5	-9.4	-2.8	**-8.4**	**-3.7**	**12.8**
Euro area	1.6	-3.3	-2.6	1.3	**2.3**	**2.8**	**4.2**
Income Inequality* (Gini Coef.) (scale from 0 to 100)							
Greece	33.5	34.3	34.4	34.5	n.a.	n.a.	n.a.
Euro area (18 countries)	30.5	30.3	30.6	30.9	n.a.	n.a.	n.a.
Labour Productivity (% change)							
Greece	-2.4	-1.1	0.4	0.5	**-1.4**	**-1.6**	**0.7**
Euro area	1.5	-0.2	0.5	0.3	**0.5**	**0.7**	**0.8**
Unit Labour Cost (% change)							
Greece	-1.4	-2.0	-7.4	-2.6	**-2.3**	**-0.6**	**0.1**
Euro area	0.6	1.9	1.1	1.1	**0.7**	**0.8**	**1.2**

Sources: European Commission (2016 Winter forecast; Eurostat for data marked with *. Euro area data correspond to EA19, except for the income inequality where only EU18 aggregate is available. Data as of 25 February 2016

Annex 2: Greece's Macroeconomic Imbalance Scoreboard

Indicators			Threshold	2007	2008	2009	2010	2011	2012	2013	2014
External imbalances and competitiveness	**Current account balance as % of GDP**	**3 year average**	-4/+6%	-11.9	-14.0	-14.2	-13.0	-11.3	-8.4	-5.3	-2.6
		Year value	-	-15.2	-15.1	-12.4	-11.4	-10.0	-3.8	-2.0	-2.1
	Net international investment position as % of GDP		-35%	-91.8	-73.7	-86.0	-96.7	-84.9	-108.9	-122.2	-124.1
	Real effective exchange rate - 42 trading partners	**% change (3 years)**	± 5% €A	- 0.4	2.3	4.8	2.9	1.8	-5.0	-4.4	-5.6
		% change y-o-y	-	0.7	1.6	2.4	-1.2	0.6	-4.4	-0.6	-0.6
	Share of world exports	**% change (5 years)**	-6%	n.a.	n.a.	-10.4	-14.3	-15.5	-24.9	-25.0	-17.5
		% change y-o-y		6.9	0.9	-5.5	-11.6	-6.2	-5.0	0.8	3.9
	Nominal unit labour cost	**% change (3 years)**	9% €A	11.0	7.4	15.8	14.0	6.8p	-2.3p	-10.5p	-11.6p
		% change y-o-y	-	2.6	5.3	7.1	1.0	-1.4p	-2.0p	-7.4p	-2.6p
Internal imbalances	**House prices** % change y-o-y deflated		6%	2.2e	-2.5e	-4.6e	-8.0e	-7.6e	-12.0e	-8.9e	-4.9e
	Private sector credit flow as % of GDP		14%	16.2	15.6	2.4	5.6	-6.5	-5.7	-6.2	-2.7
	Private sector debt as % of GDP		133%	101.9	113.5	117.1	128.9	131.1	132.5	131.1	130.5
	General government gross debt (EDP) as % of GDP		60%	103.1	109.4	126.7	146.2	172.0	159.4	177.0	178.6
	Unemployment rate	**3 year average**	10%	9.1	8.4	8.6	10.0	13.4	18.4	23.3	26.2
		Year value	-	8.4	7.8	9.6	12.7	17.9	24.5	27.5	26.5
	% change y-o-y in **Total Financial Sector Liabilities,** non-consolidated		16.5%	22.0	4.7	10.3	7.7	-3.2	-3.1	-16.9	-7.6
Employment indicators	**Activity rate % 15-64 total pop.** 3 year change		-0.2%	0.3	0.3	0.7	1.3	0.6	0.1	-0.3	0.1
	Long term unemployment active pop. 15-74 3 year change.		0.5%	-1.4	-1.5	-1.0	1.5	5.1	10.6	12.8	10.7
	Youth unemployment % active pop. 15-24 3 year change		0.2%	-3.8	-3.9	0.7	10.3	22.8	29.6	25.3	7.7

Source: Eurostat MIP Scoreboard indicators (data extracted on 25 February 2016 and therefore may not correspond to the 2016 AMR).
Note: Grey cells signal data falling outside the MIP thresholds; p = provisional and (:) = missing.

Annex 3: Greece's progress towards EU2020 targets

Indicator	Greece			EU28	
Employment rate (% of population aged 20-64)	**70**		**Target 2020**	**75**	
	53.3		2014	69.2	
	52.9		2013	68.4	
	55.0		2012	68.4	
	59.6		2011	68.6	
Expenditure on R&D (% of GDP)	**1.21%**		**Target 2020**	**3**	
	0.83[p]		2014	2.03[p]	
	0.80		2013	2.03	
	0.69		2012	2.01	
	0.67		2011	1.97	
Greenhouse gas emission[1]	**Total n.c.s.t.**[1] (Index 1990 = 100)	**Non-ETS 96**[1] (Index 2005 = 100)	**Target 2020**	**Total 80**[1] (Index 1990 = 100)	
	n.a.	n.a.	2014	n.a	
	100.12	n.a.	2013	80.20	
	107.12	77.64	2012	81.69	
	110.13	87.68	2011	82.9	
Share of renewable energy (%)	**20**[2]		**Target 2020**	**20**	
	15.3		2014	16.0	
	15.0		2013	15.0	
	13.4		2012	14.3	
	10.9		2011	13.1	
Primary energy consumption (million tonnes of oil equivalent-TOE)	**27.1**		**Target 2020**	**1483**	
	23.7		2014	1,507.1	
	23.6		2013	1,569.1	
	26.9		2012	1,584.0	
	27.0		2011	1,593.3	
Early school leaving (% of population aged 18-24)	**9.7**		**Target 2020**	**10**	
	9.0[b]		2014	11.2[b]	
	10.1		2013	11.9	
	11.3		2012	12.7	
	12.9		2011	13.4	
Tertiary educational attainment (% of population aged 30-34)	**32**		**Target 2020**	**40**	
	37.2[b]		2014	37.9[b]	
	34.9		2013	37.1	
	31.2		2012	36.0	
	29.1		2011	34.8	
Population at risk of poverty or social exclusion (thousand - % of total population)	**Reduction by 450 thousand**	**n.c.s.t.**	**Target 2020**	**Reduction by 20 million**	**n.c.s.t.**
	3,885	36.0	2014	122.25	24.5
	3,904	35.7	2013	122.90	24.6
	3,795	34.6	2012	124.06	24.7
	3,403	31.0	2011	121.31	24.3

Source: Eurostat (data extracted on 25 February 2016).

Note: (1) The Effort Sharing Decision (2009/406/EC) sets country-specific targets for non-ETS emissions only and an EU target for ETS-emissions. For Greece, non-ETS emissions will be reduced by 4% compared to 2005 levels. For the EU, ETS-emissions will be reduced by 21% compared to 2005 level and overall emissions by 20% compared to 1990 levels.
(2) Greece committed to a target of 18% by 2020, increased to 20%, by national legislation (Law 3851/2010).
* = Estimate; n.c.s.t. = "no country specific target"; n.a = "not available"; p = provisional and b = break in time series.