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WORKING DOCUMENT

on ECA Special Report 17/2017 (2016 discharge): The Commission's
intervention in the Greek financial crisis

Committee on Budgetary Control

Rapporteur: Hannu Takkula

SUMMARY

The Court of Auditors (ECA) examined the European Commission's management of the three Economic Adjustment Programmes for Greece, bearing in mind the institutional set-up of the different financial assistance instruments used. In relation to the ongoing programme, the audit focused only on the design aspects. Funding for the first programme (GLF), in 2010, was 110 billion euros; for the second (EFSF; 2012) was 172.6 billion euros and for the third (ESM; 2015) was 86 billion euros. As of mid-2017, Greece still required external financial support and the Court found that the objectives of the programmes were met only to a limited extent.

The ECA concluded that the Commission should:

1. Improve the general procedures for designing support programmes, in particular by outlining the scope of the analytical work needed to justify the content of the conditions and where possible by indicating the tools which could be drawn upon in relevant situations. In the case of future programmes, such guidance should make it easier for the Commission to organise its work in a situation of extreme urgency at the programme inception stage;
2. Prioritise conditions more effectively and specify the measures that are needed urgently in order to address the imbalances that are crucial for achieving the programmes' objectives;
3. Where relevant to address the underlying economic imbalance, ensure that the programmes are embedded in an overall growth strategy for the country, which is either already in place or has been devised with the Member State in the course of the programmes. If the strategy cannot be established at the programme inception stage, it should follow on as soon as possible and be reflected in any subsequent programme review;
4. Have clear procedures and, where appropriate, KPIs to ensure that programme monitoring is both systematic and accurately documented. The monitoring of implementation, in particular for structural reforms, should focus more on effectiveness, go beyond the adoption of primary laws and also focus on the adoption of relevant secondary legislation and other implementing acts. The Commission should improve its arrangements for monitoring the implementation and roll-out of reforms so as to identify better administrative or other impediments to the effective implementation of the reforms. The Commission needs to ensure that it has the necessary resources to undertake such assessments;
5. Address data gaps more comprehensively from the outset of the programmes. It should also clearly specify all the data it needs to monitor the programmes and their results;
6. Seek to reach an agreement with programme partners' clarifying their roles and cooperation methods which should be transparent and sufficiently detailed;
7. Better justify the assumptions for and modifications to the economic calculations underlying the programme's design, including through appropriate publications. Such processes should be subject to appropriate quality control. This should apply in particular to programme reviews, which are carried out under less urgent circumstances than at the

programme inception stage;

8. In order to mitigate potential weaknesses, be more systematic when assessing the member states' administrative capacity to implement reforms. Technical assistance needs and possible support from the Commission's Structural Reform Support department should be assessed in a programme's early stages in cooperation with the MS's authorities. The choice, level of detail and timing of conditions should be geared to the results of the analysis;
9. Enhance its analytical work on design of the reforms. It should, in particular, address the appropriateness and timing of measures, given the specific situation in the Member State;
10. Make sure that the programmes are subject to ex-post evaluation at least after they have expired. In the case of successive programmes the combined duration of which is substantially longer than the standard period of three years, an interim evaluation should be carried out and the results used to assess their design and monitoring arrangements;
11. Analyse the appropriate support and surveillance framework for the period after the programme ends. This should be done sufficiently in advance of the end of the programme and should take into account the financing needs of the country.

Recommendations by the rapporteur

1. Thanks the Court for preparing a comprehensive report on a very significant topic, which is closely linked to the activities of the Budgetary Control Committee; regrets that it took three years to draft the audit report; underlines the importance of rightly timed reports as this would facilitate the work of the Commission and the European Parliament considerably;
2. Deplores that the ECA had only a limited mandate in auditing the EU financial assistance to Greece that was managed by the troika consisting of the Commission, European Central Bank and IMF and did not receive adequate information from the ECB; encourages the ECB in the spirit of mutual cooperation to provide information allowing the Court to have a broader picture of the use of EU funds;
3. Points out to the complicated economic situation throughout Europe and especially the challenging political situation in Greece during the implementation of the EU financial assistance as it had a direct impact on the efficiency of the implementation of the assistance;
4. Underlines the vital importance of transparency in use of EU funds in different financial assistance instruments implemented in Greece;
5. Asks the Commission to improve the general procedures for designing support programmes, in particular by outlining the scope of the analytical work needed to justify the content of the conditions and where possible by indicating the tools which could be drawn upon in relevant situations;
6. Underlines the needs of the Commission to improve its arrangements for monitoring the implementation and roll-out of reforms so as to identify better administrative or other

impediments to the effective implementation of the reforms; additionally the Commission needs to ensure that it has the necessary resources to undertake such assessments.