



Eurogroup
The President

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To the members of the Eurogroup

Subject: Eurogroup of 10 October 2016

Dear Colleagues,

I would like to share with you the main content and course of our discussions at the Eurogroup meeting of 10 October 2016 in Luxembourg, to which we welcomed Mateja Vraničar Erman, the newly appointed Slovenian Minister of Finance. Our meeting was attended by Commissioner Pierre Moscovici, ECB's President Mario Draghi and Executive Board Member Benoit Coeuré, and ESM Managing Director Klaus Regling. We were also joined by Jeffrey Franks, Senior Resident Representative of the IMF to the European Union, for the discussions on Greece.

1. Greece – state of play

The European institutions informed us that Greece has completed the implementation of all the 15 milestones in the context of the first review of the ESM programme, and on this basis, recommended the disbursement of the remaining EUR 1.1 bn under the second tranche for debt servicing needs. In particular, we noted further progress in the set-up of the Privatisation and Investment Fund – the Hellenic Corporation of Assets and Participations (HCAP) and stressed that the appointment of the members of the Board of Directors of HCAP, including the Chairman and CEO positions, must be pursued as a matter of priority in order to make the fund fully operational before the end of 2016, in the context of the second review of the ESM programme. We welcomed the commitment of the Greek authorities that the appointment process needs to be in line with the requirements of the HCAP law to ensure that Board members are fully independent, professional and with clear experience and the corporate governance standards will be in line with international best practice. Against this background, we concurred with the institutions' recommendation expressed in our meeting to release the EUR 1.1 bn under the second tranche for debt servicing needs.

As regards the clearance of net arrears, the institutions and Greek authorities informed us of the important progress made in July and August. However, given that the data for September would

only be available later in October, the institutions informed us that they were not in a position to provide a positive assessment at this stage that the agreed threshold for net arrears clearance has been met. Thus, we agreed that once institutions' positive assessment of Greece's clearance of net arrears is available, and following a discussion at the EWG on 24 October, the ESM Board of Directors would be in a position to approve the remaining EUR 1.7 bn to be disbursed to a dedicated account to be used for arrears clearance.

We endorsed a Eurogroup statement (see annex) to communicate the outcome of our discussions.

2. Thematic discussion: health- and long-term care

We exchanged views on the issue of fiscal sustainability risks and policy options related to health and long-term care, in the context of our thematic discussions on growth and jobs. The Commission presented the fiscal sustainability challenges arising from health care and long-term care due to demographic and non-demographic factors outlined in the Joint Report from the Commission and the Economic Policy Committee (EPC). It also explained that Member States are faced with a number of structural challenges related to generating efficiency gains.

We welcomed the Joint Report on Health Care and Long-Term Care Systems and Fiscal Sustainability. A number of Ministers shared their experiences with health care reforms and acknowledged the challenges posed by the trend of rising public expenditure related to health and long-term care. It was noted that the financing of health expenditure also deserved to be discussed specifically.

We called on the EWG to explore the possible links of this topic with the workstream on spending reviews and agreed to return to it next year with the aim in principle to develop common principles, depending on the scope of the foreseen ECOFIN Council conclusions.

3. Current fiscal issues

The President of the EWG informed us of the targeted improvements to the 2-pack Code of Conduct agreed at the EFC to ensure an effective DBPs process. In particular, it was agreed that DBPs should be submitted between 1 and 15 October and that governments not enjoying full budgetary powers should still submit a DBP prepared on the basis of a no-policy-change scenario. The Commission welcomed these improvements and added that a timely submission of DBPs was of crucial importance to enable an orderly review and the definition of the appropriate aggregate fiscal stance. It explained that for the first time this year the newly established European Fiscal Board would contribute to the exercise. It confirmed that the Commission would prepare a full assessment of DBPs submitted under a no-policy change scenario, in order to provide the required guidance.

The Commission also informed us that a structured dialogue between the Commission and the European Parliament had taken place on 3 October regarding the suspension of commitments of

structural funds for Spain and Portugal. Additional structured dialogue steps were yet to be confirmed by the European Parliament.

I concluded that we are awaiting the outcome of this dialogue and the Commission's proposal. I also informed Ministers that all DBPs would be examined at the Eurogroup of 5 December.

4. G7 debrief

As customary, I debriefed Ministers on the main thrust of the discussions at the last G7 Finance Ministers' and Central Bank Governors' meeting of 7 October.

Yours sincerely,

Jeroen DIJSSELBLOEM

Eurogroup statement on Greece

The Eurogroup welcomes the implementation by the Greek authorities of the set of 15 milestones in the context of the first review of the ESM programme. The Eurogroup commends the Greek authorities for adopting the necessary further measures to reform the pension system and the energy sector, to strengthen bank governance, to fully establish the new independent Revenue Agency and to proceed with the privatisation programme. The Eurogroup also notes the further progress in the set-up of the Privatisation and Investment Fund – the Hellenic Corporation of Assets and Participations (HCAP). The Eurogroup stresses that the appointment of the members of the Board of Directors of HCAP, including the Chairman and CEO positions, must be pursued as a matter of priority in order to make the fund fully operational before the end of 2016, in the context of the second review of the ESM programme. To this end, we welcome the commitment of the Greek authorities to ensure that the appointment process is in line with the requirements of the HCAP law to ensure that Board members are fully independent, professional and with clear experience and the corporate governance standards will be in line with international best practices.

The implementation of the milestones paves the way for the ESM Board of Directors to approve the remaining disbursement of EUR 1.1 bn under the second tranche for debt servicing needs.

The Eurogroup acknowledges that significant progress has been made towards the clearance of net arrears during July and August and notes the time required for completing the data for September, which would be later in October. The institutions' positive assessment of Greece's clearance of net arrears would pave the way for the ESM Board of Directors to approve the further release of EUR 1.7 bn, which will be disbursed to a dedicated account to be used for arrears clearance.

The Eurogroup will now turn its attention to the next stages of the ESM programme. We call on the Greek authorities to intensify their work with the institutions on the measures needed to complete the second review in a timely manner, and welcome the intention of the institutions to return to Athens in mid-October 2016.