Memorandum of understanding: what exactly has Greece signed up for?

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New details have emerged of the extraordinarily detailed new memorandum of understanding struck between Greece and its creditors in exchange for an €86bn bailout. The actions Athens have agreed to take are divided into four “pillars”:

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- Alexis Tsipras’s government has promised to turn around a projected primary deficit of 1.5% (ie, excluding debt repayments) to one of just 0.25% by the end of this financial year, despite the fact that the economy is sliding into recession. In the medium term, Athens will have to aim at a 3.5% primary surplus. That will mean “an ambitious programme to strengthen tax compliance and public financial management” — and plenty more austerity.
- Myriad specific money-raising measures are listed in the document, from scrapping tax breaks for farmers, to taxing TV adverts, to centralising the procurement of health supplies.
- Pension reforms, once a “red line” issue for Syriza, also feature here, and are expected to save 1% of GDP in 2016, including by creating “strong disincentives for early retirement”.
- The government has agreed to carry out a comprehensive social welfare review of its entire benefit system, in conjunction with the World Bank, with the aim of saving 0.5% of GDP each year.

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- A “buffer” of up to €25bn will be set aside to recapitalise Greece’s banks and wind down insolvent ones, with any capital shortfalls in the four major lenders due to be resolved by the end of 2015. The government will also upgrade its bankruptcy procedures, including tackling the backlog of non-performing loans and “adopting legislation to establish a regulated profession of insolvency administrators”.
- Greece will call in external consultants to help it check up on the membership of major banks’ boards, and “members may be replaced in a manner that ensures banks’ boards include at least three independent international experts with adequate knowledge and long-term experience in relevant banking and no affiliation over the previous 10 years with Greek financial institutions”.
- Athens has accepted unprecedented oversight of its financial sector from the troika of creditors – the International Monetary Fund, the European commission and the European Central Bank. As the memorandum says, “all measures, legislative or otherwise, taken during the programme period, which may have an impact on banks’ operations, solvency, liquidity, asset quality etc should be taken in close consultation” with the troika.

Growth, competitiveness and investment

- Athens has pledged to launch a review by October of labour market practices, including “collective dismissal, industrial action and collective bargaining”, asking whether they are aligned with European norms. In case it were not clear enough that creditors are imposing a break with the past, the memorandum specifies that “changes to labour market policies should not involve a return to past policy settings which are not compatible with the goals of promoting sustainable and inclusive growth”.
- A series of consumer markets will be liberalised — allowing consumers to switch utility supplier, for example.
- In order to upgrade its transport infrastructure, Greece will, “adopt a general transport and logistics master plan,” covering “road, railways, maritime, air and multi-modal,” and a “time-bound action plan for the logistics strategy”.
- Greece will re-write the regulations covering a series of jobs, including “the restricted professions of notaries, actuaries, and bailiffs”.
- Establishment of an arms-length body – referred to in the memorandum as the Fund – for overseeing the next wave of Greek privatisations, and holding the proceeds. This was one of the controversial elements of the 12 July deal with Greece’s creditors and Athens will have to set out details by March next year of how this Fund will be run and which assets it will hold.

A modern state and public administration

- Lumped in with this pillar is everything from reform of the judiciary to cutting travel allowances and perks for Greek civil servants.
- Greece has pledged to pass “legislation insulating financial crime and corruption investigations from political intervention in individual cases”.
- Amid scepticism about the trustworthiness of the country’s official figures, Athens will also “uphold confidence in Greek statistics and defend them against any efforts to undermine their credibility”.