

25 Jun 2015

Greece – Financing needs and draft disbursement schedule linked to the completion of the fifth review

Available financing resources for the extension amount on the European side to € 1.8 bn from the EFSF, a total of € 3.6 bn of both 2014 and 2015 SMP and ANFA related profits, and € 10.9 bn of the former HFSF buffer. The extension also allows for a buffer for possible support to the banking system. These above mentioned financing resources are supplemented by a disbursement from the IMF. Before disbursing, the IMF would need the implementation of all prior actions, concrete 12-month forward financing assurances, assurances for the period beyond until Greece is able to regain full market access on terms consistent with debt sustainability, and debt to be sustainable with high probability.

To take these financial resources constraints into account, a five months extension (till end of November 2015) of the current programme is feasible during which a total of € 12 bn of financial support would be provided by the EFSF and the transfer of SMP/ANFA related profits, complemented by an assumed disbursement of the IMF of €3.5 bn. Over that period these external resources, complemented by the Greek primary surplus would allow to cover the amortisation and service of debt for a total of €14.3 bn and could cater for both arrears clearance and the reconstitution of some State buffers.

It is further proposed to tranche the disbursement of financial assistance in four instalments which would each be conditional upon the upfront implementation of legislative actions, prior actions and/or milestones.

Draft disbursement schedule

The EFSF disbursement related to the fifth review would amount to € 8.7bn and EUR 3.3bn in SMP profits would be disbursed. Given the frontloaded nature of the financing needs and taking into account the challenges which the authorities are likely to face in completing prior actions/milestones, it is suggested to split disbursements in four operations between end June and October. The available € 1.8bn and part of the € 10.9bn returned to the EFSF from the HFSF buffer will be used for disbursement in the second half of 2015 after the decision to widen the scope of the funds.

- First, given the acute shortage in June, it will be necessary to disburse the 2014 SMP profits of € 1.8bn as soon as the Greek parliament has approved with a resolution the agreement with the institutions and adopted a first set of legislative actions, and the national parliaments have endorsed the principle of disbursing the SMP profits. The full amount would be paid to the segregated account to cover debt service needs.
- Second, a first EFSF loan tranche of € 4.0 billion would be needed by mid-July following the completion by Greece of a set of prior actions/milestones in early July. This tranche could be composed of the remaining EFSF programme disbursement of € 1.8 billion, and € 2.2bn from the redirected HFSF buffer. Of the total first tranche, € 3.5bn could be disbursed directly to the segregated account to cover external debt service needs. The remaining € 500mn could be disbursed to a newly created sub-account in the Treasury Single Account (TSA) to be used for payments on projects funded by EU structural funds (and to which the EU will make its payments after its creation).

- Third, the second tranche of € 4.7 billion of the EFSF loan would be disbursed beginning August following the completion by Greece of a set of prior actions/milestones at the end of July. The entire € 4.7 billion will be disbursed directly to the segregated account to cover the external debt service needs for August. In parallel, the 2015 ANFA profits of nearly € 300 mn would have to be transferred.
- Fourth, the 2015 SMP profits of € 1.5bn would be disbursed in October following the completion by Greece of the final set of prior actions/milestones. The entire amount will be disbursed directly to the segregated account for external debt service needs. Subject to the caveat above, COM assumes for this purposes of an IMF disbursement of € 3.5 billion in October following the completion by Greece of the whole set of prior actions. It is also expected that Greece would be able to increase its financing by the purchase of T-bills by non-general government investors by € 2 billion during the month of November, following the agreement with the institutions. These would be used to replenish the HFSF buffer.

Table: Greece monthly financing table June-November 2015

Financing requirements Greece 2015	June	July	August	September	October	November	Total June-November 2015
A. Financing needs							
Of which Amortisation and maturing debt	2.3	3.3	3.8	1.0	4.1	0.7	15.3
Cash primary balance ("+"= surplus)	2.1	4.1	3.2	1.5	3.4	0.0	14.3
Arrears clearance	-0.1	-2.2	-0.2	-0.8	-0.5	-0.8	-4.6
B. Financing sources							
Privatisation	2.3	3.3	3.8	1.0	4.1	0.7	2.9
SMP and ANFA profits	0.0	0.0	0.0	0.0	0.0	0.0	15.3
EFSF	1.8	0.3	0.0	0.0	1.5	0.0	0.0
IMF	0.0	4.0	4.7	0.0	0.0	0.0	3.5
Purchases of T-bills by non-general government entities	0.0	0.0	0.0	0.0	3.5	0.0	8.7
General government resources	0.0	0.0	0.0	0.0	0.0	2.0	3.5
C. Financing gap	0.5	-1.0	-0.5	1.0	-0.8	-1.3	2.0
Memo items	0.0	0.0	0.0	0.0	0.0	0.0	-2.0
Total State Deposit Stock (end-of-month)							0.0
Stock of HFSF buffer	0.6	1.6	2.1	1.0	1.9	3.2	
	10.9	8.7	4.0	4.0	7.0	7.0	

Note: The amount of IMF disbursement would be decided by the IMF Executive Board. It would be subject to the implementation of all prior actions, concrete 12-month forward financing assurances, the sustainability of debt with high probability and general assurances for the period beyond 12 months until Greece regains full market access on terms consistent with debt sustainability. The purchases of T-bills by non-general government entities is a technical assumption implying that government entities reduce their holdings of T-bills to their historical average.