

Ad Hoc Key Events Report on the Greek Debt Crisis – August 17, 2015

- Following an all-night vote in the Greek Parliament and after hours of talks of the Eurogroup, an agreement on what will be the third bailout for Greece was reached. The first tranche of loans will be for €26bn, including €10bn to recapitalize Greek banks and €16bn in several installments - the first of which will be delivered in time for Greece to repay about €3.2bn to the European Central Bank by 20 August. European Commission President **Jean-Claude Juncker** said the deal sent a message “loud and clear” that Greece will stay in the eurozone while French Finance Minister **Michel Sapin** said in a statement that “this agreement is a success for Greece and for Europe”. Germany's parliament will hold a special session on Wednesday to decide on whether to approve the Greek bailout.
- As part of the agreement, Euro-area finance ministers shielded Greek bank depositors from any losses resulting from the restructuring of the financial system. “Bail-in of depositors will be explicitly excluded”, Eurogroup President and Dutch Finance Minister **Jeroen Dijsselbloem** told reporters.
- In light of the new bailout, which includes new spending cuts, tax increases, sweeping structural reforms in the pension system, opening of the closed professions and the liberalization of markets, Greece enters a new period of political upheaval. After 43 of his MPs failed to vote for the third bailout, Prime Minister **Alexis Tsipras** is expected to ask for a vote of confidence in Parliament. If he doesn't secure a minimum of 151 votes, early elections will be called.
- The issue of debt relief is expected to be discussed after the program's first review in October. In the meantime, an analysis prepared by Greece's debt inspectors shows the debt will not come down to 120% of GDP - which has long been viewed by the International Monetary Fund as the target to get Athens back to a sustainable debt level - until 2030. Dutch Finance Minister **Jeroen Dijsselbloem** acknowledged that dealing with debt was an important issue, while German Finance Minister **Wolfgang Schaueble** told Deutsche Welle radio that “outright debt forgiveness doesn't work at all under European law”. The IMF has repeatedly called on eurozone ministers to offer Greece debt relief, with IMF Chief **Christine Lagarde** noting that “Greece cannot restore debt sustainability solely through actions on its own”.

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