

## IMF and eurozone explore cash lifeline for Greece

Initiative aims to buy time while delaying politically sensitive talks on debt relief



MAY 23, 2017 by: **Jim Brunsten** in Brussels

Eurozone finance ministers and the International Monetary Fund are exploring a compromise plan for Greece's bailout that would provide much-needed funds this summer while delaying sensitive talks on debt relief.

Diplomats said the proposal, put forward by the IMF, would involve the fund taking a formal decision to join Greece's bailout with the proviso it would not provide any money until the euro area gives further details on how it is prepared to ease Athens' debts.

Supporters of the plan argue that it would deliver formal IMF backing for the Greek programme, which Germany has made a prerequisite for Athens to receive any further tranches of aid from its €86bn bailout. At the same time, the approach would buy time for politically sensitive talks on a debt relief package, which the IMF says is essential for Greece to recover.

The approach won support from finance ministers, including Wolfgang Schäuble of Germany, during seven hours of negotiations in Brussels on Monday evening. Although the talks ended without agreement, diplomats expect the plan to form the basis of discussions when IMF officials and euro area ministers regroup on June 15 to try to broker a deal.

Greece's need for money is pressing. It faces more than €7bn of debt repayments in July.

The Washington-based fund had previously insisted it would decide to join the bailout only if the euro area provided much more detail on the debt relief it would give. But people involved in the talks said the IMF's plan to initially withhold its bailout loans would remove this urgency and allow talks on debt relief after Germany's elections in September.

Jeroen Dijsselbloem, the Dutch finance minister who chaired Monday night's meeting, told

reporters afterwards that “we are very close” to an agreement.

Diplomats said Monday’s talks foundered over objections from Euclid Tsakalotos, the Greek finance minister, who argued the plan provided little clarity for Athens on what debt relief it might obtain and on the IMF’s role in the bailout.

Crucially for Athens, the European Central Bank has repeatedly said that IMF participation in the bailout is a key condition for it to start buying Greek bonds as part of its economic stimulus programme.

Participation in this so-called quantitative easing is a key policy aim for Greece’s Syriza government, as it would boost investor confidence and prepare the country’s return to debt markets.

A deal would not give certainty that Greece would be included in QE, which remains a decision for the ECB.

Poul Thomsen, director of the IMF’s Europe department, said there had been progress but the euro area needed to inject “more realism” into its assumptions about Greece’s long-term economic performance.

“We are making progress, there is no doubt about that,” he said. “We are not quite there yet.”

The debt relief talks concern how far euro area finance ministers are prepared to go in fleshing out options agreed a year ago. Debt relief would be rolled out after Greece’s programme ends in 2018, if the country has implemented agreed reforms and if the euro area and IMF believe it is needed.

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