

Greece struggling to meet Bailout conditions

Why in news?

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The future of Greece's 86 billion Euros bailout hangs in the balance in the absence of crucial backing from the IMF.

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What is Greece debt crisis?

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- After the creation of Eurozone, Euro currency and European Central Bank, Greece had begun to borrow large amounts of money at very low-interest rates.

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- The borrowings happened primarily because of politicians could use it for populist programmes like high pensions, low taxes, etc.,

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- This led to increasing govt debt, which Greece managed to repay with borrowing even more money.

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- The cycle has lasted until 2008 when the US housing market suffered a collapse and the entire globe became engulfed in the financial crisis.

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- With global financial markets still reeling, Greece announced in October 2009, that it had been understating its deficit figures for years, thus, raising alarms about the soundness of Greek finances.

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- Thus by the Spring 2010, Greece couldn't borrow anymore and couldn't repay its debts and it was veering toward bankruptcy, which threatened to set off a new financial crisis.

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- To avert the calamity the IMF, the ECB and the European Commission have issued the first of three international bailouts for Greece, which was more than 240 billion Euros.

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- Greece, in order to receive bailouts, has agreed to austerity measures, which would have it to cut spending, raise taxes, etc.,
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- This is a highly unpopular measure in Greece and has led to severe unemployment and riots.
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- Till now, Greece has received 3 major bailouts. Yet, Greece is still in debt and has been unable to repay the bailouts.
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What is the recent development?

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- Athens has to repay a loan instalment by July, 2017, in order to avail of the next part of the rescue funds under the terms of the 2015 deal.
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- But there is uncertainty, with the EU and the IMF are in confrontation over the health of the Greek economy and Greek's unwillingness to adopt more austerity than what was agreed.
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- The report by IMF recently pointed out that the bailout target of a **'budget surplus of 3.5% of GDP was unrealistic'** and reiterated the need for urgent debt relief.
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- Also, the IMF's demand that if the country again fails to meet fiscal targets, the parliament must legislate additional measures to meet fiscal targets, has raised the agitation among Greek legislators.
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- Germany and other creditor countries are now concerned about the **difficulty of garnering domestic political support** in the absence of more direct backing from the IMF.
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Source: The Hindu

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