Greece’s creditors said the government must make hard commitments to overhaul its finances or it won’t get a deal to unlock bailout payments.

The Greek administration saw its optimism about a deal rebuffed as European policymakers gathered in the German city of Dresden for a Group of Seven meeting. While Greece isn’t on the formal agenda, it has dominated public comments after the country’s officials claimed an accord can be reached by Sunday.

Bailout talks “are progressing faster but not yet fast enough to conclude,” French Finance Minister Michel Sapin said in an interview with Bloomberg at the G-7. “The red line is that there cannot be a deterioration of the overall budget situation, and in fact there needs to be an improvement.”
Negotiations have stumbled over issues including Greek pensions. With time and patience running out, Greece hasn’t yet said how it will pay almost 1.6 billion euros ($1.74 billion) in International Monetary Fund payments scheduled for next month, with the first transfer due June 5.

European stocks declined for a second day amid investor concern that the payment will be missed. The Stoxx Europe 600 Index was down 0.7 percent at 12:14 p.m. German time, and Greece’s ASE Index dropped 0.6 percent.

The yield on Greek 10-year bonds was at 11.11 percent. The yield has dropped since May 22, with the bonds set for their first weekly gain since the end of April. The yield climbed as high as 13.93 percent last month, the most since 2012.

- **Read more - Moscovici says next aid programme is not on the table.**

International creditors need an agreement on an economic plan next week to be able to release funds before Greece’s current loan arrangement expires at the end of June, according to a European Union official who spoke on condition of anonymity.

No Deadline
There is a “substantial way to go,” European economic commissioner Pierre Moscovici said in a Bloomberg television interview on Friday. “I wouldn’t give a day for a deadline. There have been some deadlines in the past, and there we are today. But it’s clear that we need to speed up, that time is running short.”

In a sign of growing concern at the state of the negotiations, Greek PM Alexis Tsipras held a one-hour call with German Chancellor Angela Merkel and French President Francois Hollande on Thursday, according to a Greek government official.

The IMF won’t support an accord unless Greece commits to a credible medium-term primary budget surplus and changes to its pension system, said a separate official involved in the G-7 talks. Greece and its international creditors remain far apart, said the official, who spoke to reporters on condition of anonymity because the discussions are confidential.

**Debt Relief**

While Tsipras must make binding commitments, euro-area countries may also need to offer debt relief as part of any solution, the official said.

“I would not say that we have achieved results, that we are close to the end of the process,” IMF Managing Director Christine Lagarde said on Thursday in a television interview with ARD from Dresden. “There is still a lot of work to be done.”

Frustration over Greece has prompted G-7 delegates to diverge from the main agenda of economic growth, international tax rules and financial architecture to say the cash-strapped country hasn’t done enough. Moreover, the tussle with Greece is only over its current bailout, and that needs to be settled before any third aid plan can be dealt with, Moscovici said.

**Capital Controls**

“The Commission has a very systematic approach,” he said. “We first need to close the review of the second program, to conclude the program, and then we’ll be capable of talking about further arrangements. Let’s not confuse those two problems.”

The Greek government’s view has been that an agreement with the IMF and the country’s European
creditors could be hammered out by the end of the week.

“This optimism is not just words,” Gabriel Sakellaridis, the Greek government’s chief spokesman, told reporters on Thursday. “It is based on the experience of the previous weeks and the progress achieved.”

Nouriel Roubini, chairman of Roubini Global Economics, said Greece is likely to be able to buy some time. He was in Dresden as part of a symposium in which Nobel Prize-winning economists discussed options for boosting growth with the G-7 finance ministers and central bankers.

“I see a sense of something more constructive, of moving in the right direction,” he said in a Bloomberg Television interview. “I do expect that pots of money are going to be found in June to make sure” the IMF is paid, he said.

Under IMF policy, Greece can bundle the four payments due next month and make them all together on June 19. IMF spokesman William Murray said Thursday that Greece hasn’t requested a bundling of payments. Greece owes the IMF $334 million on June 5 and three payments totaling $1.4 billion.

“It’s like two people are playing chess with each other,” Yale University professor Robert Shiller said in a Bloomberg TV interview before attending the G-7. “My guess is that this will be resolved in the last minute and Greece won’t default.”