DIRECTORATE GENERAL FOR INTERNAL POLICIES

DIRECTORATE FOR ECONOMIC & SCIENTIFIC POLICIES

ECONOMIC GOVERNANCE SUPPORT UNIT (EGOV)

FINANCIAL ASSISTANCE TO EU MEMBER STATES

"STATE OF PLAY", February 2013

This table provides regular update on the EU Member States receiving financial assistance in the form of either Balance of Payments Assistance, Economic Adjustment Programme or Assistance to Financial Institutions from EFSM and/or EFSF/ESM.

Contact persons:

Manica HAUPTMAN, Tel 31 488
Jost ANGERER, Tel 32 402

Contact: egov@ep.europa.eu

PE 497.721

Recent developments in the EU Member States, which are receiving or have applied for the EU financial assistance

- **Greece**: following the finalisation of the relevant national procedures and after having reviewed the outcome of the debt buy back operation (DBB)**,** the Eurogroup on 13 December 2012 formally approved the second disbursement under the second economic adjustment programme, which amounts to €49.1bn to be paid out in several tranches. The DBB and full implementation of the adjustment programme shall bring public debt back on a sustainable path, i.e. to 124% of GDP in 2020. €34.3bn were disbursed by the EFSF in the week of 17 December 2013. On 21 January Eurogroup noted that the MoU milestones for January, agreed between Greece and the Troika, have been achieved. Reforms of income tax, end-user electricity prices for low-voltage customers and of levy on renewable energy sources have been adopted. Simplification of the income tax code should be done by spring. Following the political endorsement by the Eurogroup, the EFSF board approved on 28 January 2013 the disbursement of €2bn for fiscal use and further €7.2bn to cover bank recapitalisation and resolution costs. On 16 January 2013, the IMF completed the first and second reviews of Greece's economic performance under the programme, which enables the disbursement of €3.24bn, bringing disbursements under the current programme to €4.86bn.
- **Ireland**: the IMF country report of 19 December 2012 accompanying the 8th review mission by the troika resulted in disbursement of €0.8bn by EFSF/EFSM and €0.9bn by IMF. Thereafter, Troika staff teams conducted the 9th review mission from 29 January to 7 February 2013, concluding that the strong track record of programme implementation has been maintained, contributing to substantial improvements in market access and conditions for the sovereign and also – albeit more moderately – for the banks. They also began discussions on how best to prepare for and support a successful and durable exit from programme financing. The government is estimated to have comfortably met the 2012 fiscal targets and it remains committed to a 2013 deficit ceiling of 7.5% of GDP and to correcting the excessive deficit by 2015. Market conditions for Irish bonds continue to improve, with benchmark 8-year yields now below 4.5 % and recent bond issues attracting broad investor interest. There have also been encouraging improvements in financing conditions for banks and semi-state utilities. Conclusion of this review would make available a disbursement of €1bn by the IMF and €1.6bn by the EFSM/EFSF, with EU member states expected to disburse a further €0.5 billion through bilateral loans. The next review mission is scheduled for April 2013.
- **Portugal**: on 18 January the IMF published its consultation with Portugal and concluded that its underlying fiscal adjustment has advanced markedly—by an estimated 6%of GDP in primary structural terms over 2011–12. The same goes for the external account adjustment. The 12-month rolling deficit reached 2½% of GDP in September. There was also a significant decline in sovereign spreads from the heights of early 2012. With the economy likely to be in recession in 2013 and growth in trading partners slowing, growth is expected to gradually pick up over time. With fiscal adjustment proceeding as per program, this would mean for the debt to peak at about 122% of GDP in 2013–14. As reported by the troika in November 2012, the government committed to the deficit target of 5% of GDP in 2012 and 4.5% of GDP in 2013. Revenue collection has been somewhat weaker than envisaged. While deleveraging in the banking system is on track, access to credit at remains difficult, particularly for exporting companies and SMEs.
- **Spain:** from 28 January to 1 February 2013 the EC, in liaison with the ECB, the ESM and the EBA completed the second review of the financial sector assistance programme for Spain. The IMF participated as an independent monitor. The mission concluded that the banking sector conditions have broadly stabilised, primarily as a result of: the adoption of restructuring plans, the recapitalisation or imminent recapitalisation of the state-aided banks, the establishment of, and transfer of assets to, SAREB (the new asset management company), as well as the easing of funding constraints. With SAREB operational, an important progress in separating impaired assets from banks has been achieved since the last review. Significant progress has been made with respect to horizontal financial-sector conditionality. However, the economic situation remains challenging, with very high and rising unemployment, GDP contraction, and a need to reduce large stocks of internal and external debt. Further advances remain necessary in the consolidation of public finances and in the swift completion and implementation of the structural reform agenda.
- **Cyprus**: at its meeting of 13 December 2012, the Eurogroup stated that progress towards a macro-financial assistance programme has been made; however, no final agreement was reached. A draft MoU, which foresees significant financial, fiscal and structural adjustment, as well as privatisations, had been agreed at the staff level in November 2012. The Eurogroup is expected to make progress on the financial assistance programme at its meeting in March 2013.

Financial assistance in the EU: State-of-Play (Feb 2013)

	ROMANIA	GREECE	IRELAND	PORTUGAL	SPAIN	CYPRUS
Type	Pre-cautionary Balance of Payments Assistance	Economic Adjustment Programme	Economic Adjustment Programme	Economic Adjustment Programme	Financial Assistance for Recapitalisation of Financial Institutions	Economic Adjustment Programme (tbc)
Duration	2011-2013	2010-2016	2010-2013	2011-2014	2012-2013	2013-2015 (tbc)
MoUs signed	29 June 2011	First: 3 May 2010 Second: 14 March 2012	07 December 2010	17 May 2011	20 July 2012	agreed at staff level on 23 November 2012
Conditionality and Objectives	►fiscal consolidation ►financial sector regulation and supervision ►fiscal governance and structural fiscal reforms ►structural reform of the energy and transportation sectors and state-owned enterprises	►fiscal consolidation (debt-to-GDP ration in 2020 of 124% of GDP); ►reforms in labour and product markets ►strengthening of fiscal institutions, including tax administration ►recapitalisation and supervision of banks ►dismissal (privatisation) of State assets ►successful debt exchange with Private Sector (PSI)	►immediate strengthening and comprehensive overhaul of the banking sector ►fiscal adjustment to restore fiscal sustainability, correction of excessive deficit by 2015 ►growth-enhancing reforms, in particular on the labour market	►structural reforms to boost growth, create jobs, and improve competitiveness ►a fiscal consolidation strategy, supported by structural fiscal measures and better fiscal control over public-private-partnerships and state-owned enterprises, reducing the deficit below 3% of GDP by 2014 ►a financial sector strategy based on recapitalisation and orderly deleveraging	►bank specific (including recapitalisation, restructuring and/or resolution of banks) ►horizontal (including supervisory and regulatory framework strengthening, correction of excessive deficit and CSR-structural reforms) ►IMF to provide technical assistance	►conditionality to be negotiated and agreed with the EC+ECB+IMF
Monitoring by	►EC, ECB and IMF	►EC, ECB and IMF	►EC, ECB and IMF	►EC, ECB and IMF	►EC, ECB and EBA	
Technical Ass.		Task Force (Dec 2012 report)				
Total amount committed	€5bn	€246.3bn ►commitments under 2nd programme and ►disbursed under 1st programme (see rows bellow)	€85bn	€78bn	up to €100bn	(tbc)

Contact: egov@ep.europa.eu

Break-down by lender (original commitments)	▶€1.4bn - EU (BoP) ▶€3.6bn - IMF	*First Programme*: ▶€80bn - EA MSs ▶€30bn - IMF *Second Programme*: ▶€144.6bn - EFSF ▶€28bn - IMF	▶€22.5bn - EFSM ▶€17.7bn - EFSF ▶€22.5bn - IMF ▶€4.8bn - bilateral (UK, DK, SE) ▶€17.5bn - Ireland (Treasury and National Pension Reserve Fund)	▶€26bn – EFSM ▶€26bn - EFSF ▶€26bn - IMF	▶up to €100bn - ESM	▶EFSF/ESM (tbc) ▶IMF (tbc)
Already Disbursed	Pre-cautionary assistance-no request for disbursement	*First Programme (closed)*: ▶€52.9bn - EA MSs ▶€20.7bn - IMF *Second Programme*: ▶€4.86bn - IMF ▶€110.2bn - EFSF	▶€21.7bn - EFSM ▶€12.1bn - EFSF ▶€19.4bn - IMF ▶€2.75bn - bilateral	▶€22.1bn - EFSM ▶€19bn - EFSF ▶€22.2bn - IMF	▶€41.33bn	n.a.
Next Disbursement	Pre-cautionary assistance. No request for disbursement.	After the approval of the next (3rd) Review Mission	After the approval of the next (9th) Review Mission scheduled for April 2013	After the approval of the next (7th) Review Mission	tbc	n.a.
Preferred Creditor (y/n)	IMF- yes, EU - no	IMF - yes, EU - no	IMF - yes, EU - no	IMF - yes, EU - no	no	tbc

ABBREVIATIONS/EXPLANATIONS

BoP Assistance	Balance of Payments facility for non-euro area MS in BoP difficulties. It usually takes the form of medium-term financial assistance, in co-operation with IMF.
BoP for Romania	From 2009 to 2011 Romania was under the first BoP assistance programme (€5bn) as part of multilateral financial assistance of €20bn (IMF €13bn; World Bank €1bn; EIB plus EBRD €1bn).
EFSF	European Financial Stability Facility: it provides financial assistance to euro area MS. It will cease to enter into new programmes now that the ESM is established.
EFSM	European Financial Stabilisation Mechanism: for any EU MS, it reproduces the basic mechanics of the existing Balance of Payments facility. The lending capacity is €60bn, raised by the Commission in financial markets. The Commission then on-lends to the beneficiary MS in form of loan or credit line. All interest and loan is repaid by MS, without any cost for the EU.
ESM	European Stability Mechanism; entered into force on 27 September 2012. It is now the main instrument for providing financial assistance for euro area MS. It has capital base of €700bn. Its lending capacity on its own is €500bn, and together with the EFSF €700bn. It will enjoy preferred creditor status, only junior to the IMF.
PSI	Private Sector Involvement: in March 2012 existing Greek bonds held by private institutions were exchanged on a voluntary basis. For each 100 of old Greek bonds, the bond holders received 31.5 of new Greek bonds and 15 of EFSF one-year and two-year notes (in equal proportions), which corresponded to a nominal reduction of 53.5% (and real loss of 73%), thus reducing Greek debt for €100bn . EFSF notes were accounted as a loan made to Greece by the EFSF and thus as part of the EU financial assistance.
DBB	On 11 December 2012 Greece concluded the tendering process for a debt buy-back operation (DBB) to capture a substantial discount on Greek government bonds (GGB), thereby reducing public debt substantially. Before the DBB, the total of new GGBs amounted to €62bn (ensuing from the PSI). The DBB invitation yielded a total participation of approximately €31.9bn at an average price of 33.8% of the nominal value. Following the settlement of the operation, Greek debt will be reduced by € 21.1bn in net terms.
Greek Loan Facility - EU MS Loans	The Greek Loan Facility was an instrument used for the 1st Greek Adjustment Programme agreed in May 2010: 15 Euro Area MS committed to provide bilateral loans of up to €80bn, of which €52.9bn were disbursed by the end of the 1st Programme. The loans were pooled by the Commission, which was entrusted with the coordination, the administration and the disbursement. The 1st programme ceased in March 2012, when the 2nd Adjustment Programme started with the involvement of the EFSF. The remaining part of €80bn was thus transferred to the 2nd programme to be disbursed via the EFSF.
IMF Disbursements	IMF disbursements are made in Special Drawing Rights (SDRs) and therefore the € amounts change over time.