

Statement of the Eurogroup

The stability and integrity of the Economic and Monetary Union have required swift and vigorous measures that had been implemented recently, together with further qualitative moves towards a genuine Fiscal Stability Union.

In order to further improve market confidence and in accordance with the agreement reached at the Euro Summit on 9 December 2011 and reiterated on 2 March 2012, we have reassessed the adequacy of the overall EFSF/ESM lending ceiling of EUR 500 billion which, given EUR 200 billion long term commitments of the EFSF, currently entails a 300 billion maximum lending volume for the ESM.

We agreed on the following principles:

- The paid-in capital of the ESM will be made available more quickly than initially foreseen in the ESM Treaty, in respect of national procedures. Two tranches of capital will be paid in 2012, a first one in July, a second one by October. Another two tranches will be paid in 2013 and a final tranche in the first half of 2014. In line with the ESM Treaty, the payment of the capital will be further accelerated if needed to maintain a 15% ratio between the paid-in capital and the outstanding amount of ESM issuances.
- The ESM will be the main instrument to finance new programmes as from July 2012. The EFSF will, as a rule, only remain active in financing programmes that have started before that date. For a transitional period until mid-2013, it may engage in new programmes in order to ensure a full fresh lending capacity of EUR 500 billion.
- The current overall ceiling for ESM/EFSF lending, as defined in the ESM Treaty, will be raised to EUR 700 billion such that the ESM and the EFSF will be able to operate, if needed, as described above. As of mid-2013, the maximum lending volume of ESM will be EUR 500 billion. The combined lending ceiling of the ESM and the EFSF will continue to be set at EUR 700 billion.
- In addition EUR 49 billion out of the EFSM and EUR 53 billion out of the bilateral Greek loan facility have already been paid out to support current programme countries. All together the euro area is mobilising an overall firewall of approximately EUR 800 billion, more than USD 1 trillion.
- Moreover, euro area Member States have committed to provide EUR 150 billion additional bilateral contributions to the IMF.

The euro area made substantial progress over the past 18 months to address the challenges stemming from the sovereign debt crisis. Progress was notably made with regard to fiscal consolidation and growth enhancing structural reforms in a number of countries, the successful implementation of the adjustment programmes in Ireland and Portugal, the Greek PSI operation and the agreement on a second Greek programme. Important improvements were made to improve the governance of the euro area through enhancements of the Stability and Growth Pact, the new macro-economic imbalances procedure, the Euro Plus Pact and the Fiscal Compact enshrined in the new Treaty on Stability, Cooperation and Governance in the Economic and Monetary Union. Finally, robust firewalls have been established. This comprehensive strategy has paid off and led to a significant improvement of market conditions.