

ESM Board of Governors grants stability support to Cyprus

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Press releases

ESM

Luxembourg – The Board of Governors of the European Stability Mechanism (ESM) decided today to grant, in principle, stability support in the form of a financial assistance facility to the Republic of Cyprus. In accordance with the decisions taken by the Eurogroup on 25 March 2013, Cyprus will receive assistance of up to €10 billion. The ESM is expected to provide approximately €9 billion, subject to approval by its Board of Directors, and the International Monetary Fund is to contribute around €1 billion, subject to approval by its Executive Board.

“By providing loans of up to €9 billion the euro area member states are showing solidarity with Cyprus”, Jeroen Dijsselbloem, Chairman the ESM’s Board of Governors said. “The implementation of the conditions attached to the assistance should ensure that Cyprus can build its economy on a sustainable basis.”

“This is the first fully fledged macro-economic adjustment programme financed by the ESM”, Klaus Regling, the ESM’s Managing Director said. So far the ESM has financed the programme for financial sector reform in Spain in the volume of €41 billion. “Even after this second assistance programme the ESM will be able to fully play its role as the euro area’s effective firewall as it will still have about 90% of its total lending capacity of €500 billion.”

The funds will be used by Cyprus to cover its fiscal needs, to redeem its medium and long-term debt, and for the recapitalisation of financial institutions apart from the country’s two largest banks (Bank of Cyprus and Cyprus Popular Bank). The first disbursement of ESM financial assistance to Cyprus is expected in May 2013.

The stability support granted to Cyprus is conditional upon the implementation of an extensive programme of policy reforms. The key objectives of the programme are

restoring the soundness of the Cypriot banking sector, continuing the process of fiscal consolidation, and implementing structural reforms to foster competitiveness and sustainable growth.

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