EFSF approves sixth successive reduction of step-up interest margin for Greece

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(Luxembourg) - The Board of Directors of the European Financial Stability Facility (EFSF) decided today to reduce to zero the step-up margin accrued by Greece for the period between 17 June 2021 and 1 January 2022, as part of the medium-term debt relief measures agreed for the country in 2018. The value of this sixth successive reduction amounts to €122.5 million.

Additionally, as part of the debt relief measures, on 22 December 2021 the European Stability Mechanism (ESM), acting as an agent for the euro area member states and after their approval, made a transfer of €644.42 million to Greece. This corresponds to the income earned on holdings regarding the Securities Markets

Programme (SMP) and the Agreement on Net Financial Assets (ANFA).

"Greece continued its progress with reform implementation in the challenging circumstances of the Covid-19 pandemic. The government carried out reforms in the area of public financial management, adopted anti-trust remedies in the energy sector, and simplified investment licensing. In addition, it achieved good progress in privatisation and governance of state-owned enterprises, social welfare and public administration. The European institutions considered that Greece made sufficient progress towards reform commitments in the first half of 2021. This has cleared the way for the next tranche of debt relief measures tied to those commitments," said ESM Managing Director and EFSF CEO Klaus Regling.

He added: "Greece has rebounded swiftly from the pandemic crisis in 2021, recovering all the output losses from the year before. The outlook for this year and beyond is encouraging thanks to a positive growth momentum and the impetus from the Recovery and Resilience Facility. That said, public debt remains very high, underscoring the importance of returning to a strong budgetary position like in the period before the pandemic. Reform efforts should continue to improve the resilience of the financial sector and to clear government arrears."

The step-up margin of 2% relates to the €11.3 billion EFSF loan for Greece (part of the second Greek programme), which was used to fund a debt buy-back in 2012. The margin had originally been foreseen to apply to this loan from 2017 onwards. Under the short-term debt-relief measures, the step-up interest margin was reduced to zero for the year 2017. As part of the subsequent medium-term debt relief measures for Greece, the EFSF Board of Directors agreed to a conditional mechanism to reduce the step-up margin to zero, starting with the year 2018. Such a reduction is possible by Board decision every six months until 2022, based on a positive assessment of Greece's continued implementation of key reforms under the ESM programme, and compliance with its post-programme policy commitments.

The transfer of SMP/ANFA income equivalent amounts to Greece on a semi-annual basis until June 2022 depends on the country's compliance with its policy commitments. This was one of the medium-term debt relief measures for Greece listed in the Eurogroup statement of 22 June 2018.

The reduction of the step-up margin and transfer of SMP/ANFA income equivalent amounts represent the sixth tranche of policy-contingent debt relief measures for Greece. The total value of all tranches of debt relief amounts to nearly €5 billion.

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