

ESM Board of Governors approves ESM programme for Greece

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Press releases

ESM

Luxembourg – The Board of Governors of the European Stability Mechanism (ESM) approved today the ESM Managing Director’s proposal for a Financial Assistance Facility Agreement (FFA) with Greece. Under the terms of this agreement, which the ESM Board of Directors also approved on Wednesday, the ESM will provide up to €86 billion in financial assistance to Greece over three years. The FFA is the ESM’s loan contract with Greece, which ESM Managing Director Klaus Regling and the Greek Minister of Finance Euclid Tsakalotos will sign.

The Board of Governors, which comprises the 19 euro area finance ministers, also adopted a Memorandum of Understanding (MoU) with Greece, specifying the policy measures that the Greek government has agreed to undertake in order to tackle the main challenges facing its economy. The Greek government committed to reforms including: restoring fiscal sustainability; safeguarding financial stability; boosting growth, competitiveness and investment; and reforming the public administration. The European Commission will sign the MoU on behalf of the ESM together with the Greek finance minister. The Board of Governors expects that the institutions take into account the Eurogroup Statement of 14 August 2015 when monitoring compliance with the conditionality detailed in the MoU and when reviewing such conditionality.

The ESM funds will be used for budgetary expenditures, arrears clearance and the build-up of cash buffers, debt service, and banking sector recapitalisation. The precise amount of financial assistance from the ESM will depend on the International Monetary Fund’s (IMF) decision regarding the extent of its participation in financing the programme. The IMF will take this decision following the completion of the first programme review.

The total amount of financial assistance will also depend on Greece's success in implementing policy reforms, which are designed to ensure that Greece returns to market financing at reasonable cost before the programme ends. Privatisation proceeds may additionally reduce the overall amount of financial assistance needed.

Jeroen Dijsselbloem, Chairperson of the ESM Board of Governors, said: "This agreement provides perspective for the Greek economy and a basis for sustainable growth. The Greek government is bound to implementing this wide-ranging reform package with determination and we will monitor the process closely. I've said before it's not going to be easy. We are certain to encounter problems in the coming years but I trust we will be able to tackle them."

Klaus Regling, ESM Managing Director, said: "The ESM Board of Governors has approved a programme that will allow Greece to turn the tide and follow the success of other euro area Member States that have benefitted from ESM and EFSF support. The MoU features long-needed pension and tax reforms, structural reforms to stimulate growth and investment, a strengthened privatisation programme, as well as measures designed to make public administration more efficient. The ESM will make these reforms possible by ensuring financing for the Greek government at conditions that give it budget flexibility, while also providing a buffer for the Greek banking sector so that it can support a sustained economic recovery."

Both the MoU and FFA were also approved by ESM Members according to their national procedures, which included parliamentary approval in several countries.

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