16 May 2011

Statement by the Eurogroup and ECOFIN Ministers

Ministers unanimously agreed today to grant financial assistance in response to the Portuguese authorities' request of 7 April 2011. Ministers concur with the Commission and the ECB that providing a loan to Portugal is warranted to safeguard financial stability in the euro area and the EU as a whole.

Euro area and EU financial support will be provided on the basis of a programme which has been negotiated with the Portuguese authorities by the Commission, in liaison with the ECB, and the IMF. Ministers endorsed the agreement on a three year joint EU/IMF financial assistance programme that is both ambitious and frontloaded, while safeguarding the most vulnerable groups in society. It will be based on three pillars:

- An ambitious but credible fiscal adjustment to restore fiscal sustainability, including through the correction of the excessive deficit by 2013 respecting the original deadline set by the Council. Fiscal sustainability will be supported by (i) a strengthening of the budgetary processes, including enhanced monitoring and reporting, more efficient revenue administration and better control over Public-Private-Partnerships and State-Owned Enterprises; (ii) reforms of the health system and of public administration; (iii) an ambitious privatisation programme.
- Growth and competitiveness enhancing reforms of the labour market, the judicial system, network industries and housing and services sectors, to foster sustainable and balanced growth and the unwinding internal and external macroeconomic imbalances.
- Measures to ensure a balanced and orderly deleveraging of the financial sector and to strengthen the capital of banks, including adequate support facilities.

The programme was announced by the Portuguese authorities on 5 May. Ministers welcomed the support expressed by opposition parties and call on all political parties to ensure a rigorous and swift implementation of the programme.

The financial package of the programme will cover financing needs up to € 78 billion, which should be shared equally (€ 26 billion each) amongst: (i) the European Financial Stabilisation Mechanism (EFSM), (ii) the European Financial Stability Facility (EFSF), and (iii) the IMF. At the same time, the Portuguese authorities will undertake to encourage private investors to maintain their overall exposures on a voluntary basis.

The Ministers of the Eurogroup and ECOFIN are confident that the economic and financial adjustment programme will address in a decisive manner the fiscal, financial, and structural challenges of the Portuguese economy. It will thereby also help restore confidence and safeguard financial stability in the euro area.