COUNCIL OF
THE EUROPEAN UNION

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STATEMENT BY THE HEADS OF STATE OR GOVERNMENT OF THE EURO AREA AND EU INSTITUTIONS

We reaffirm our commitment to the euro and to do whatever is needed to ensure the financial stability of the euro area as a whole. We also reaffirm our determination to reinforce convergence, competitiveness and governance in the euro area. Since the beginning of the sovereign debt crisis, important measures have been taken to stabilize the euro area, reform the rules and develop new stabilization tools. The recovery in the euro area is well on track and the euro is based on sound economic fundamentals. But the challenges at hand have shown the need for more far reaching measures.

Today, we agreed on the following measures:

Greece:

1. We welcome the measures undertaken by the Greek government to stabilize public finances and reform the economy as well as the new package of measures including privatisation recently adopted by the Greek Parliament. These are unprecedented, but necessary, efforts to bring the Greek economy back on a sustainable growth path.

2. We agree to support a new programme for Greece and, together with the IMF and the voluntary contribution of the private sector, to fully cover the financing gap. This programme will be designed, notably through lower interest rates and extended maturities, to decisively improve the debt sustainability and refinancing profile of Greece. We call on the IMF to contribute to the financing of the new Greek programme in line with current practices. We will use the EFSF as the financing vehicle as soon as possible. We will monitor very closely the strict implementation of the programme.

3. We have decided to lengthen the maturity of future EFSF loans to Greece to the maximum extent possible from the current 7.5 years to a minimum of 15 years. In this context, we will ensure adequate post programme monitoring. We will provide EFSF loans at lending rates equivalent to those of the Balance of Payments facility (currently approx. 3.5%) without going below the EFSF funding cost. This will be accompanied by a mechanism which ensures appropriate incentives to implement the programme, including through collateral arrangements by Greece where appropriate so as to cover the risk arising to the euro area Member States from their guarantees to the EFSF.

4. We call for a comprehensive strategy for growth and investment in Greece. We welcome the Commission's decision to create a Task Force which will work with the Greek authorities to target the structural funds on competitiveness and growth, job creation and training. Member States and the Commission will mobilize all resources necessary in order to provide exceptional technical assistance to help Greece implement its reforms.

5. The financial sector has indicated its willingness to support Greece on a voluntary basis through a menu of options at lending conditions comparable to public support with credit enhancement. Credit enhancement will be provided to underpin the quality of collateral so as to ensure access to Eurosystem liquidity operations for Greek banks.

Private sector involvement:

6. As far as our general approach to private sector involvement in the euro area is concerned, we would like to make it clear that Greece is in a uniquely grave situation. This is the reason why it requires an exceptional solution.

7. All other euro countries solemnly reaffirm their inflexible determination to honour fully their own individual sovereign signature and all their commitments to sustainable fiscal conditions and structural reforms. The euro area Heads of State or Government fully support this determination as the credibility of all their sovereign signatures is a decisive element for ensuring financial stability in the euro area as a whole.

Stabilization tools:

8. To improve the effectiveness of the EFSF and address contagion, we agree to increase the flexibility of the EFSF, allowing it to:

    - intervene on the basis of a precautionary programme, with adequate conditionality;

    - finance recapitalisation of financial institutions through loans to governments including in non programme countries;

    - intervene in the secondary markets on the basis of an ECB analysis recognizing the existence of exceptional financial market circumstances and risks to financial stability and on the basis of a decision by mutual agreement of the EFSF Member States.

Fiscal consolidation and growth in the euro area:

9. We welcome Ireland and Portugal's resolve to strictly implement their programmes and reiterate our strong commitment to the success of these programmes. The EFSF lending terms we agreed upon for Greece will be applied also for Portugal and Ireland. In this context, we note Ireland's willingness to participate constructively in the discussions on the Common Consolidated Corporate Tax Base draft directive (CCCTB) and in the structured discussions on tax policy issues in the framework of the Euro+ Pact framework.

10. All euro area Member States will adhere strictly to the agreed fiscal targets, improve competitiveness and address macro-economic imbalances. Public deficits in all countries except those under a programme will be brought below 3% by 2013 at the latest. In this context, we welcome the budgetary package recently presented by the Italian government which will enable it to bring the deficit below 3% in 2012 and to achieve balance budget in 2014. We also welcome the ambitious reforms undertaken by Spain in the fiscal, financial and structural area. As a follow up to the results of bank stress tests, Member States will provide backstops to banks as appropriate.

11. We will implement the recommendations adopted in June for reforms that will enhance our growth. We invite the Commission and the EIB to enhance the synergies between loan programmes and EU funds in all countries under EU/IMF assistance. We support all efforts to improve their capacity to absorb EU funds in order to stimulate growth and employment, including through a temporary increase in co-financing rates.

Economic governance:

12. We call for the rapid finalization of the legislative package on the strengthening of the Stability and Growth Pact and the new macro economic surveillance. Euro area members will fully support the Polish Presidency in order to reach agreement with the European Parliament on voting rules in the preventive arm of the Pact.

13. We commit to introduce by the end of 2012 national fiscal frameworks as foreseen in the fiscal frameworks directive.

14. We agree that reliance on external credit ratings in the EU regulatory framework should be reduced, and look forward to the Commission proposals in this respect.

15. We invite the President of the European Council, in close consultation with the President of the Commission and the President of the Eurogroup, to make concrete proposals by October on how to enhance crisis management in the euro area and improve working methods.