

EFSM: Council approves €7bn bridge loan to Greece

On 17 July 2015, the Council adopted a decision granting up to **€7.16bn** in short term financial assistance to Greece under the European Financial Stabilisation Mechanism (EFSM).

The loan will have a maximum **maturity of three months** and will be disbursed in up to two instalments. It will allow Greece to clear its arrears with the IMF and the Bank of Greece and to repay the ECB, until Greece would start receiving financing under a new programme from the European Stability Mechanism (ESM).

Longer term programme

On 16 July the Eurogroup decided in principle to agree to a request made by Greece on 8 July 2015 for stability support over three years from the ESM. Once negotiated between the institutions and Greece and approved by the Eurogroup, the ESM assistance would be used, amongst other things, to repay the loan Greece receives under the EFSM.

Economic policy conditions

The Council also adopted a decision approving a **macro-economic adjustment programme** setting out specific economic policy conditions attached to the financial assistance. The reforms undertaken by Greece are aimed at improving the sustainability of its public finances and the regulatory environment. Specifically, Greece was required to adopt legislation to reform its VAT and pension systems, strengthen the governance of the Hellenic Statistical Authority (ELSTAT), and implement by 15 July 2015 the relevant provisions of the Treaty on Stability, Coordination and Governance. The adjustment programme will be set out in a memorandum of understanding (MOU).

The financial assistance would be disbursed once the MOU and a loan facility agreement setting out in detail the financial terms have entered into force. Both are to be signed by the Commission and the Greek authorities.

Full safeguards for non-euro area member states

A mechanism has been designed so as to ensure that **non-euro area member states do not carry any risk**. Under the decision, the exposure of non-euro area member states will be fully guaranteed by liquid collateral under legally binding arrangements. If Greece were unable repay the loan in accordance with its terms, any liabilities incurred by non-euro area member states would be immediately reimbursed.

Declaration on future use of the EFSM

The Council and the Commission also adopted a joint declaration agreeing that "any future use of the EFSM Regulation or any other instrument of a similar nature, for the purpose of safeguarding the financial stability of a Member State whose currency is the euro, will be made conditional upon arrangements (via collateral, guarantees or equivalent measures) being in place which ensure that no financial (direct or indirect) liability will be incurred by the Member States which do not participate in the single currency. In order to reflect this principle, the Commission will make a proposal for the appropriate changes to the EFSM Regulation as soon as possible, which shall be agreed in any case before any other proposal for support under the EFSM Regulation is brought forward. Moreover, the Commission commits not bringing forward any proposal for the use of the EFSM without a mechanism for the protection of the Member States whose currency is not the euro being assured."

EFSM

The EFSM provides financial assistance to EU member states in financial difficulties. It relies on funds raised by the Commission on the financial markets under an implicit EU budget guarantee.

[Council decision granting short term EU aid to Greece](#)

[Council decision approving the adjustment programme for Greece](#)

[Joint declaration by the Commission and the Council on the use of the EFSM](#)

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