

Statement by the Eurogroup

The Eurogroup welcomes the request of the Cypriot authorities for financial assistance from euro area Member States in view of the challenges that Cyprus is facing, in particular due to distress in the banking sector and the presence of macroeconomic imbalances. The Eurogroup acknowledges that an adjustment programme seems warranted at this stage and considers responding favorably to it. The Eurogroup also welcomes the request of Cyprus for financial assistance from the IMF, which in turn would be considered in line with its internal procedures. Ministers invite the Commission, in liaison with the ECB, and the Cypriot authorities and the IMF to agree on a programme, including the financing needs, and take appropriate action to safeguard financial stability, in light of the current very challenging external environment and spill-over effects from sovereign market turbulence.

Based on a needs assessment, the euro area financial support would be provided in the framework of a comprehensive adjustment programme, building on the measures already taken by the Cypriot authorities and the recommendations put forward by the European Commission on 30 May under the European Semester. The programme will be negotiated by the Commission, in liaison with the ECB, with the Cypriot authorities and the IMF. After an agreement has been reached with the Cypriot authorities, the programme would be endorsed by the Eurogroup, in line with national procedures, on the basis of an assessment by the Commission, in liaison with the ECB, and the IMF, of the financing needs and the conditionality that shall accompany the assistance.

The Eurogroup is confident that the implementation of this programme would address the financial, fiscal and structural challenges of the economy in a decisive manner and should allow Cyprus to return to a sustainable growth path.

The programme will be based on:

- Ambitious measures to ensure the stability of the financial sector by addressing expected capital shortfalls and preserving the soundness of financial institutions, including restructuring and downsizing where needed.
- Determined action to carry out the fiscal adjustment to support the ongoing process of fiscal consolidation.
- Structural reforms to support competitiveness and sustainable and balanced growth, allowing for the unwinding of macroeconomic imbalances.

The financial assistance package shall be provided by the EFSF or the ESM on the basis of its financing instruments. The Eurogroup looks forward to a swift response from the IMF to the Cypriot request after having completed its required internal procedures.