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Financial assistance in Portugal

European Union

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SUMMARY OF:
Implementing Decision 2011/344/EU – EU financial assistance to Portugal

WHAT IS THE AIM OF THE DECISION?
It approved the economic adjustment programme for Portugal. This included a 3-year financial package of loans up to €78 billion from a number of donors, including the European Union (EU).

KEY POINTS
- On 17 May 2011, the EU agreed that Portugal required €78 billion in financial assistance between 2011 and mid-2014. The funding was to be provided in a maximum of 14 instalments by:
  - the EU – €26 billion through the European Financial Stabilisation Mechanism and €26 billion through the European Financial Stability Facility;
  - the International Monetary Fund (IMF) – around €26 billion.
- During the programme, the European Financial Stabilisation Mechanism provided €24.3 billion, the European Financial Stabilisation Facility €26 billion and the IMF €26.5 billion.
- The financial agreement set out in the economic adjustment programme for Portugal required the government to implement:
  - structural reforms to boost potential growth, create jobs and improve competitiveness;
  - a credible and balanced fiscal consolidation strategy with better control over public–private partnerships and state-owned enterprises to reduce the country’s deficit to 3% of the gross domestic product by 2013;
  - a financial sector strategy based on recapitalisation and deleveraging.
- In June 2014, the assistance programme came to an end.
- Portugal is now subject to the EU’s post-programme surveillance. Under this, the European Commission, liaising with the European Central Bank:
  - carries out regular visits to the country to assess its economic, fiscal and financial health;
  - prepares half-yearly reports to monitor progress and determine whether further measures are needed.
- The surveillance will continue until Portugal has repaid at least 75% of the loans that it received. The post-programme surveillance will last until 2026.
FROM WHEN DOES THE DECISION APPLY?

It has applied since 24 May 2011.

BACKGROUND

- On 11 May 2010, the EU agreed to create a European financial stabilisation mechanism – the European Financial Stability Mechanism (Regulation (EU) No 407/2010). This enables the Commission to borrow on financial markets and to lend the proceeds on to a beneficiary country requiring financial support.
- Portugal, after being downgraded by credit rating agencies and unable to raise financing at sustainable rates, requested help from the EU and the IMF on 7 April 2011.
- The mechanism has also been used to help Ireland and Greece.
- For further information, see:
  - The economic adjustment programme for Portugal (European Commission)
  - Financial assistance to Portugal (European Commission).

KEY TERMS

Recapitalisation. Restructuring a company’s debt and equity, with the aim of making its capital structure more stable.

Deleveraging. Reducing the level of debt by selling off assets.

MAIN DOCUMENT


Successive amendments to Implementing Decision 2011/344/EU have been incorporated into the original text. This consolidated version is of documentary value only.

RELATED DOCUMENTS


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