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of the Chamber of Deputies

Testimony on the functioning of the European Stability Mechanism and the prospects for its reform

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Presidents, Honourable Members of Parliament, I am grateful to the Fifth and Fourteenth Committees of the Chamber of Deputies for this invitation to debate the proposed reform of the Treaty establishing the European Stability Mechanism (ESM). The proposal is the result of a provisional agreement reached last June, based on the Euro Summit understanding of December 2018. As with the Treaty currently in force, it will only take effect once it has been signed and ratified by all Member States.

The ESM was introduced in 2012 to bridge one of the gaps in European economic governance: its core function is to grant conditional assistance to euro-area countries that are experiencing temporary difficulties in raising funds on the market, despite having sustainable public debts. Alongside this function the proposed reform introduces a backstop to the Single Resolution Fund (SRF), within the bank crisis management framework.

In the talks leading to the agreement and in the accompanying debate, in-depth discussions were also held on the rules on financial aid to Member States and, in particular, the related risks. In this respect, the reform addresses the prerequisites for granting financial assistance and the tasks carried out by the ESM; overall, the proposed changes are limited in scope. The reform makes no provision for, nor does it foresee in the future, any sovereign debt restructuring mechanism. As with the Treaty in force today, there is no quid pro quo between financial assistance and debt restructuring. An assessment of debt sustainability before the granting of aid is already envisaged under the Treaty in force. This is a clause designed to safeguard the ESM's resources, to which Italy is the third biggest contributor.

1. The origins of the European Stability Mechanism

The ESM is the response to part of Europe's 'incomplete' economic governance. Up until the sovereign debt crisis, the European fiscal framework was based on crisis prevention through compliance with fiscal rules that were designed to keep deficits and public debts within the limits considered prudent. It did not provide for a toolkit capable of managing the sovereign debt crises; indeed, the 'no bail-out clause' of the Treaty on the Functioning of the European Union, at least in its most restrictive interpretation, seemed to prohibit any measures in support of countries in difficulty.[1]

The tensions that emerged on the European sovereign debt markets starting in 2010, as a result of the global financial crisis and the considerable imbalances in Greece's public accounts, strongly affirmed the need for adequate European economic governance. Specifically, the absence of mechanisms for managing a severe financial crisis of a euro-area Member State generated uncertainty, lengthening the timeframes involved in providing support, increasing its cost and feeding the risk of contagion.

The first response to the sovereign debt crisis was necessarily of an urgent nature. In spring 2010, financial support to Greece was provided through bilateral loans on the part of euro-area countries (Greek Loan Facility). Shortly thereafter, as the crisis extended to other countries, two common mechanisms were established for the disbursement of financial support: the European Financial Stabilisation Mechanism (EFSM), which is limited in size (€60 billion) and is financed by the European Union, and the European Financial Stability Facility (EFSF), which has greater lending capacity (initially equal to €250 billion, then €440 billion), is temporary in nature, and is guaranteed by the euro-area Member States.

The intervention strategy changed abruptly at the end of 2010 with the agreement between France and Germany and with the Council of the European Union's decision in the summer of 2011 on private sector involvement (PSI) in restructuring Greece's debt. Following this decision, in the autumn of 2011 the European Banking Authority (EBA) published a recommendation asking the main banks to create 'exceptional' and 'temporary' capital buffers to address their exposure to sovereign debt.

The Council's decision and the EBA's recommendation came before the establishment, in 2012, of the ESM and the specification that private sector involvement would be limited to exceptional circumstances and would not be triggered automatically. Outright monetary transactions (OMT) by the European Central Bank were also introduced in 2012. These were conditional on the presence of an ESM assistance programme. It is likely that, had the sequence of events been different (introducing the ESM and OMT before the PSI announcement and EBA recommendation), the effect on the financial markets would have been more contained.

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1 The establishment of the ESM was accompanied by a special amendment to the Treaty on the Functioning of the European Union (art. 136(3)).

The ESM's subscribed capital amounts to €704.8 billion, of which €80.5 has been paid in; its lending capacity stands at €500 billion. In addition to having provided bilateral financial support and having participated in EFSF programmes (committing a total of almost €44 billion), Italy's subscribed capital in the ESM amounts to about €125 billion and its paid-in capital is more than €14 billion.

Each member's share of the ESM's capital is based on the ECB's capital keys, which reflect the country's share in the total population and gross domestic product of the euro area. The portion of the ESM's capital that is subscribed but not paid in is 'callable' at any time if needed, meaning that ESM members are asked to provide the corresponding funding with little advance notice.

2. ESM governance and functions

The ESM was established by an intergovernmental agreement, outside the judicial framework of the European Union. It is headed by the Board of Governors, which consists of the 19 Ministers of Finance in the euro area. Unanimous approval is required for all important decisions (including those relating to disbursements of financial assistance and the approval of memoranda of understanding with the countries that receive it).

The Board of Governors chooses whether it is chaired by the President of the Eurogroup (as is currently the case) or by a President elected from within the Board itself; terms last two years and may be renewed. For the purposes of ensuring the efficacy of the ESM's decision-making system, the ESM may operate with a qualified majority of 85 per cent of capital if, in the event of a threat to the economic and financial stability of the euro area, the European Commission and the ECB ask it to make urgent decisions concerning financial assistance. The voting rights of Board members correspond to the number of shares assigned to the respective countries. Germany, France and Italy have shares that exceed 15 per cent and, therefore, may also veto urgent decisions.

The ESM's executive body is the Board of Directors, consisting of 19 members each of whom is appointed by a Governor and has extensive experience in economics and finance. It is headed by the Managing Director who also serves as the ESM's legal representative.

As I mentioned, the fundamental purpose of the ESM is to provide financial assistance, subject to conditions, to member countries experiencing temporary difficulties in accessing the markets, despite having a sustainable public debt. It is not a sovereign debt restructuring mechanism but instead tries to avoid it; as stated in the current version of the Treaty and as reiterated in the proposed amendments thereto, restructuring may only be considered in exceptional circumstances.

The Treaty contains a single reference to debt restructuring in recital number 12, which states that 'in accordance with IMF practice, in exceptional cases an adequate and proportionate form of private sector involvement shall be considered in cases where stability support is provided accompanied by conditionality in the form of a macro-economic adjustment programme'.

The Treaty provides for the possibility of the ESM working in conjunction with the International Monetary Fund (IMF). The ESM may open credit lines, disburse loans or purchase government securities issued by the state receiving assistance. Its intervention is never in the form of non-repayable transfers.

Support is provided subject to rigorous conditionality and an analysis of the sustainability of the public debt which, according to the rules set out in the current version of the Treaty, is carried out by the European Commission in liaison with the ECB (where possible, also with the IMF). The level of conditionality varies according to the nature of the instrument used: for loans, it is in the form of a macro-economic adjustment programme, described in a dedicated memorandum; it is less stringent with precautionary credit lines to countries with fundamentally solid economic and financial conditions that are suffering the effects of an adverse shock.

There are two types of precautionary measures, accompanied by a Memorandum of Understanding that sets out the conditions: the precautionary conditioned credit line (PCCL), for countries meeting the requirements of the Stability and Growth Pact that do not have excessive macroeconomic imbalances or financial stability problems, and the enhanced conditions credit line (ECCL), for countries that do not fully meet the above prerequisites and that are therefore asked to take corrective measures. It should be borne in mind that the ESM may also purchase government securities in the primary and secondary markets.

The ESM currently finances itself by issuing debt instruments on the market with maturities that range from one month to 45 years. The ESM has the highest credit rating (AAA) awarded by Fitch and by DBRS, and just below the top rating awarded by Moody's (AA1, with a 'positive outlook'). ESM loans benefit from a credit status that is second only to that of the IMF. These conditions make it possible for the ESM to take on debt under highly advantageous conditions.

Since 2010, the total amount of financial assistance that has been disbursed through the various tools to euro-area countries in difficulty is equal to more than €480 billion, of which more than €80 billion were provided by the IMF (Table 1). There have been five beneficiary countries: Greece was the main recipient accounting for almost 60 per cent (just under €290 billion), followed by Portugal (more than €75 billion), Ireland (more than €65 billion), Spain (more than €40 billion) and Cyprus (about €7 billion). Spain is the only one of the five countries to have benefited from financial support that was exclusively dedicated to shoring up its banking system.

The ESM has granted loans to three countries, totalling about €110 billion (€61.9 billion to Greece, €41.3 billion to Spain and €6.3 billion to Cyprus; Table 2), with fairly long average maturities and relatively low interest rates (a maximum of 1.2 per cent for Spain and Cyprus and 1.6 per cent for Greece).

All the support programmes have come to a close: the beneficiary countries are once again able to access the markets for financing. The support disbursed by the EFSF, the ESM and the IMF has already been partly repaid. More than €170 billion are yet to be repaid to the EFSF, approximately €90 billion to the ESM, and less than €10 billion to the IMF. Figure 1 illustrates the repayment plan for the loans issued by the ESM, whose residual lending capacity is currently just over €410 billion (Figure 2).

3. Financial assistance in the proposed reform of the Treaty[2]

The reform proposal before us covers three main areas: the ESM's governance and tasks regarding financial assistance to member countries, the conditionality for granting such assistance and the ESM's function as a backstop for the Single Resolution Fund (I will focus on this last point later on). The proposal also provides for an amendment to the collective action clauses (CACs) included in government securities.

The ESM's governance and tasks regarding financial assistance to member countries. – The reform proposal establishes the independence of the ESM's Managing Director and staff (Article 7.4 and recital 16) and at the same time strengthens the provisions requiring the ESM's activities to be compliant with European Union legislation; it also entrusts the European Commission with the related control tasks. Voting rights and procedures remain unchanged.

At the end of 2017, the European Commission had put forward a proposal to integrate the ESM into European Union legislation; a solution of this kind would greatly simplify the management of ESM activities and the coordination with the Commission.

The ESM is to play an active role in crisis management and in the process for disbursing financial assistance, as well as in the subsequent monitoring thereof; in line with this, the Managing Director is given greater responsibilities, and becomes the reference point for the ESM in all activities connected with granting financial support. This is a new role for the ESM and means that it will flank the European Commission. How the two institutions cooperate will be set out in an agreement to be signed when the amendments to the Treaty come into force (Article 13.8). The terms of the provisional agreement reached between the two institutions in 2018 are echoed in the text of the reform proposals,[3] which contains safeguards designed to avoid any duplication of tasks between the ESM and the European Commission.

The agreement reaffirms the Commission's exclusive responsibility for the overall assessment of the economic situation of countries and of their position vis-à-vis the rules of the Stability and Growth Pact and of the Macroeconomic Imbalance Procedure. The reform establishes that the ESM may follow and assess their macroeconomic and financial situations – including the sustainability of their

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2 The reform is analysed in detail in C. Dias and A. Zoppè (2019), 'The 2019 proposed amendments to the Treaty establishing the European Stability Mechanism', In-Depth Analysis, 11-10-2019, European Parliament. Information and links to the official documents are available on the ESM's website.

3 The text of the agreement is available on the ESM website.

public debt– so that it can intervene promptly as needed (Article 3.1). Therefore, ‘the ESM should not serve the purpose of economic policies coordination among ESM members for which European Union law provides the necessary arrangements’ (recital 15A). Lastly, it is confirmed that ‘the post-programme surveillance will be carried out by the European Commission in liaison with the ECB, and by the Council of the European Union within the framework laid down pursuant to Articles 121 and 136 of the Treaty on the Functioning of the European Union’ (recital 18).

In the event of a request for assistance, the reform provides that the ESM’s Managing Director, together with the European Commission (and in liaison with the ECB), assess the sustainability of a country’s public debt and, to better protect the member countries in their role as ESM financers, the capacity of a country to repay the loan. In the event no agreement can be reached on these assessments, the Commission will have the last word on the sustainability of the debt, and the ESM on the capacity to repay the loan (see recital 12A).

In addition, the ESM’s Managing Director, again together with the Commission (and in liaison with the ECB), will take part in the negotiation with the requesting country on the conditionality attached to the financial assistance programme, and in the assessment of compliance with these conditions over time (Articles 5.6.g and 13.7).

The conditions for granting financial assistance. – The reform more clearly describes some of the principles for the disbursement of funding that are already laid down in the current text of the Treaty and in the guidelines adopted by the ESM.

For the purposes of granting any form of ESM assistance, the current Treaty already provides for a prior assessment of debt sustainability (Article 13.1.b). The reform reiterates this provision and, as previously mentioned, introduces alongside it the criterion of the requesting country’s loan repayment capacity (recital 12A and Article 13.1.b of the reform proposal), so far only used in post-programme surveillance. At the same time, the reform clarifies that these preliminary checks are in no way automatic: despite being based on ‘transparent and predictable’ criteria, the authorities that carry out such checks have a ‘sufficient margin of discretion’ to do so (recital 12A and Article 13.1.b of the reform proposal).

The reform to the Treaty also reviews the criteria and procedures for obtaining precautionary credit lines.

In the case of the PCCL, signing a Memorandum of Understanding (MoU) would no longer be required; this credit line would be granted to countries not subject to a procedure for deficit or excessive *macroeconomic imbalances, provided there is a letter of intent in which the requesting country commits to respecting the criteria, which are specified in quantitative terms in Annex III of the new version of the Treaty (Article 14). Those countries which, despite having sound economic fundamentals, do not meet all the criteria set out in Annex III, will be able to have recourse to the ECCL, which would continue to require the signing of a Memorandum of Understanding.*

Collective action clauses. – The reform to the Treaty envisages introducing – from 2022 – an amendment to the current collective action clauses that, if a country decides to proceed with a debt restructuring, a single vote by government security holders would be sufficient to amend the terms and conditions of all the bonds (‘single limb’ CACs), instead of dual votes (one for each issuance and one for the bonds as a whole; see recital 11 and Article 12.4). This amendment is designed to make any debt restructuring more orderly, thereby reducing the costs linked to the uncertainty over how it will be done and how long it will take. As already happened following the introduction of the current CACs in 2013, this amendment – which does not increase the likelihood of a default but reduces the uncertainty surrounding its outcome – could lead to a fall in sovereign debt risk premiums.[4]

There is no amendment to the reference in the current Treaty to private sector involvement, which remains strictly limited to exceptional cases and is in no way a precondition for obtaining financial assistance from the ESM (recital 12B of the reform proposal). It is in light of the PSI being confirmed as an exceptional case that we should interpret both the amendments to the collective action clauses and the possibility that the reform gives to the ESM to facilitate dialogue between a country and private investors, only if the country so requests, ‘on a voluntary, informal, non-binding, temporary and confidential basis’ (recital 12).

To conclude this discussion of the amendments that the reform intends to make to financial assistance procedures, I would like to point out that a country with high public debt, especially a country with great economic weight in the euro area, must first of all create a situation in which there is no need to turn to the ESM; how to obtain funding is not irrelevant but should not be the focal point. The way forward is to reduce the debt-to-GDP ratio by maintaining an adequate primary surplus, increasing economic growth, and keeping confidence high and the average cost of debt low. The existence of the ESM makes this last task easier because it limits contagion risks, thereby helping to preserve orderly market conditions.

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4 G. Tabellini (2017), ‘Reforming the Eurozone: Structuring versus restructuring sovereign debts’, VoxEU.org; A. Bardozzetti and D. Dottori (2014), ‘Collective action clauses: How do they affect sovereign bond yields?’, *Journal of International Economics*, vol. 92, issue 2, 286-303.

4. The backstop for the Single Resolution Fund

The ESM Treaty is also being revised to address the need for a backstop to the Single Resolution Fund (SRF), namely the option of supporting the SRF should its resources prove insufficient to finance the measures it must take.

Under the current European bank crisis management framework, the main function of the SRF, managed by the Single Resolution Board (SRB), is to finance the application of resolution tools while minimizing the use of public resources.[5] In addition, if needed to avoid contagion risk, the SRF will also be able to absorb the losses directly and help recapitalize the bank under resolution, for a maximum amount equal to 5 per cent of the bank's liabilities and only after a bail-in equal to at least 8 per cent of the same liabilities.

The SRF is funded by annual contributions from all euro-area banks (not just those classified as 'significant' for supervisory purposes). The contributions are paid in and gradually mutualized according to a schedule that will see the scheme fully in place by the end of 2023, when the SRF will have reached its target level (at least 1 per cent of the total amount of covered deposits in the euro area, a share that the SRB estimates to be around €60 billion).

The private financial resources available to the SRF could prove insufficient in the event of a systemic crisis. The importance of a public backstop was already acknowledged in the late 2013 ECOFIN Council's conclusions on the Single Resolution Mechanism (SRM). Its establishment was also deemed a priority in the 2015 Five Presidents' Report on Completing the European Economic and Monetary Union.[6] Since the very outset of the negotiations on the SRM, Italy has been one of the most active supporters of the need for a backstop to the SRF, especially one involving the ESM.

The reform of the ESM now being discussed introduces such a backstop, whose size is aligned with the actual level of the SRF (as indicated in the Terms of Reference agreed in December 2018[7] and referred to in Recitals 5A and 15B, as well as in Annex IV of the proposed reform); it therefore goes in the direction

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5 'Changes in the way banking crises are managed', FAQ published in the 'In detail' section of the Bank of Italy's website, 8 July 2015.

6 'Council agrees general approach on Single Resolution Mechanism', 18 December 2013, press release; *Completing Europe's Economic and Monetary Union* (2015), Report by Jean-Claude Juncker in close cooperation with Donald Tusk, Jeroen Dijsselbloem, Mario Draghi and Martin Schulz.

7 'Terms of reference of the common backstop to the Single Resolution Fund', 4 December 2018, available on the European Council's website.

of bolstering the credibility of the SRF and its effective ability to intervene and, in doing so, reduces the risk of a disorderly management of a crisis at a large bank, which could impact overall financial stability.

The reform envisages the introduction of the backstop no later than the end of 2023. The possibility of introducing it earlier is made conditional on further progress in reducing banking risks, something that will be assessed next year. Such progress, however, refers only to building up sufficient buffers to meet the minimum requirements for own funds and eligible liabilities (MREL; that is, the minimum amount of liabilities that can be used for loss absorption or recapitalization of a bank under resolution) and to reducing the NPL ratio (against benchmark ratios of 5 per cent gross of write-downs already booked and 2.5 per cent net of them). However, no mention is made of other types of assets that are risky because they are illiquid or lack transparency regarding their valuation (such as so-called Level 2 and Level 3 financial instruments).

Introducing the backstop to the SRF is not the only change that we believe is necessary to complete the current European crisis management framework. As I have emphasized many times, including very recently, mechanisms are also needed to facilitate the orderly exit from the market of small- and medium-sized banks that cannot access the resolution procedure and therefore cannot receive support from the SRF even though they contribute to it. To this end, we should take a close look at the experience of the US's Federal Deposit Insurance Corporation (FDIC), which during the global financial crisis effectively managed the crises of hundreds of small- and medium-sized banks without adverse effects on overall stability. In fact, the German Finance Minister referred to the example of the FDIC in his recent proposals on completing the banking union.[8] Experts at the Bank of Italy have proposed measures that could help to address the current problems.[9] We stand ready to provide technical support to the Government in the discussions under way at EU level on this issue.

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8 'Position paper on the goals of the banking union', German Finance Minister, November 2019.

9 A. De Aldisio, G. Aloia, A. Bentivegna, A. Gagliano, E. Giorgiantonio, C. Lanfranchi and M. Maltese (2019), 'Towards a framework for orderly liquidation of banks in the EU', *Notes on Financial Stability and Supervision*, No. 15, August. Among the measures proposed are: eliminating the super-priority for deposit guarantee schemes, raising the deposit coverage limit, changing the method for assessing the fulfilment of the least cost criterion, so as to include not just 'direct' but also 'indirect' costs (arising, for example, from possible contagion effects).

The creation of the ESM has strengthened the economic governance of the monetary union and – all other things being equal – has reduced the risks of financial instability for each country and for the area as a whole. It was part of a comprehensive reform whose salient points were already set out in the first report of the four Presidents released in June 2012.[10] Made gradually less ambitious in successive official documents, today this original plan remains uncompleted.

The proposal to reform the ESM marks a step in the right direction, especially because it introduces a backstop to the Single Resolution Fund. On the issue of assistance to countries in crisis, it does not alter the substance of the Treaty currently in force. It confirms the absence of any automatism in decisions on the sustainability of public debts and rules out any debt restructuring mechanism. As I recently underlined, this confirmation is important because 'The small and uncertain benefits of a debt restructuring mechanism must be weighed against the huge risk that the mere announcement of its introduction may trigger a perverse spiral of expectations of default, which may prove to be self-fulfilling'.[11] I made similar observations on the risks of sovereign crises in my *Concluding Remarks* delivered in May 2019 and even prior to that on a number of occasions, when the idea of introducing an automatic debt restructuring mechanism for the Member States of the euro area had not yet been fully discarded.[12]

The proposed changes in financial assistance to Member States reassert principles of common sense that are already inscribed in the Treaty. For the ESM, as for any other lender, it would be nonsensical to grant credit to those whose debt is not deemed sustainable, given that this would constitute a non-refundable transfer. The safeguards in terms of ex ante conditionality and ex post monitoring that flank the financing mechanisms of the ESM have always been, and still are, duly rigorous. They are safeguards that protect the resources that euro-area countries 'invested' at the time of the ESM's establishment and, as I recalled earlier, Italy is the third largest contributor.

The proposed reform is, of course, the result of a compromise – between the fears of those who have always rejected any further mutualization of risks and the opposing fears of an unjustified postponement of progress towards 'genuine economic and monetary union'. The best way to convince everybody of the

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[10] *Towards a Genuine Economic and Monetary Union* (2012), Report by Herman Van Rompuy in close collaboration with Mario Draghi, José Manuel Barroso and Jean-Claude Juncker.

[11] I. Visco, 'The Economic and Monetary Union: Time to Break the Deadlock', keynote address at the OMFIF-Banca d'Italia Seminar 'Future of the Euro area', Rome, 15 November 2019.

[12] See, for example, F. Balassone and I. Visco (2018), 'The Economic and Monetary Union: Time to Break the Deadlock', *The European Union Review*, Vol. 23– 1-2-3, March-November 2018, 9-22.

usefulness of the reform is to see it as a starting point for the purposeful resumption of the path to European integration. A first step could be to announce the intention to incorporate the ESM in European legislation in the medium term. What continues to be lacking is a comprehensive plan for the completion of monetary union, one that introduces a centralized fiscal capacity and a safe asset in the euro area, as well as the completion of banking union.

The possibility of introducing a common fiscal capacity capable of flanking monetary policy in the task of stabilizing the euro area must be examined anew; this would enable us to deal with sometimes pronounced cyclical fluctuations, without thwarting the efforts made up to that point in each country to reduce its debt-to-GDP ratio.

The process towards completion of the capital markets union must be speeded up including – I would even say primarily – by introducing euro area sovereign bonds, which could replace a portion of national securities in circulation and play the role of safe asset assigned to sovereign bonds in all the other major economies. This result can also be achieved with the simultaneous introduction of some form of European-wide public debt insurance, for example through the creation of a European debt redemption fund (ERF), financed by dedicated resources of the participating countries determined in a way that prevents systematic intra-country transfers.[13]

Banking union must be completed with a more effective mechanism for managing crises at any intermediary, including small- and medium-sized ones, and with a proper European deposit insurance scheme that guarantees equal protection for depositors, irrespective of where their bank operates. This is where measures to curtail risks such as the ones often proposed by, on the one hand, those who wish to revise the prudential treatment of banks' sovereign exposures and, on the other, those who stress how important it is not to take a selective approach to banking risks (with the sole focus on non-performing loans), could be usefully inserted. Looking ahead, some thought could also be given to the possibility of introducing limits on the concentration of sovereign bonds in bank portfolios, without distinguishing among sovereign debtors and in any event with a sufficiently high

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13 See M. Cioffi, P. Rizza, M. Romanelli and P. Tommasino (2019), 'Un fondo di ammortamento del debito dell'area dell'euro: cos'è, perché costruirlo, come progettarlo', *Rivista di Politica Economica* (forthcoming). For a discussion of similar proposals, see M. Cioffi, P. Rizza, M. Romanelli and P. Tommasino (2019), 'Outline of a redistribution-free debt redemption fund for the euro area', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 479, 2019; in particular, among the earliest contributions, see V. Visco, 'Innovative Financing at a Global and European Level', Hearing before the European Parliament, 10 January 2011 and German Council of Economic Advisors (2011), 'Assume responsibility for Europe', *Annual Report 2011/12*.

initial ‘exemption’, but only if the euro area simultaneously decides to introduce a common safe asset. Failing this, among other things, the diversification of bank portfolios of sovereign bonds could not take place in an orderly fashion.

As I have already mentioned, it is imperative that the consolidation of the public finances of highly indebted countries remains a credible process, one in which every opportunity provided by the current low interest rate environment is seized without hesitation. If everyone plays their part, it will become apparent that all the Member States hold dear the success of monetary union and, above all, the prosperity and well-being of all European citizens.

TABLES AND FIGURES

Table 1

Financial assistance disbursed to countries in difficulty

(billions of euros)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Greece										
ESM						21.4	10.3	8.5	21.7	61.9
EFSF			108.2	25.3	8.3					141.8
Bilateral loans	21.0	31.9								52.9
IMF	10.5	9.6	1.7	6.7	3.4					31.9
Total for Greece										**288.5**
Ireland										
EFSF		7.6	4.4	5.7						17.7
EFSM		13.9	7.8		0.8					22.5
Bilateral loans		0.5	2.5	1.9						4.8
IMF		12.8	6.4	3.3						22.6
Total for Ireland										**67.6**
Portugal										
EFSF		6.9	11.3	6.6	1.2					26.0
EFSM		14.1	8.0		2.2					24.3
IMF		13.0	8.2	3.4	1.8					26.3
Total for Portugal										**76.6**
Spain										
ESM			39.5	1.9						41.3
Total for Spain										**41.3**
Cyprus										
ESM				4.6	1.1	0.6				6.3
IMF				0.3	0.2	0.4	0.1			1.0
Total for Cyprus										**7.3**
Total assistance:	31.5	110.2	197.9	59.7	18.9	22.4	10.4	8.5	21.7	481.2
of which ESM:			39.5	6.5	1.1	22.0	10.3	8.5	21.7	109.6

Sources: For the bilateral loans to Ireland, *National Treasury Management Agency* and *Macro-Financial Assistance to EU Member States, State of Play – November 2019*, European Parliament; for the assistance provided by the EFSF, ESM and EFSM, their respective websites, from the pages on the beneficiary countries; for the support programme for Greece, European Commission, *The second economic adjustment programme for Greece*, March 2012 and, for IMF loans disbursed to Greece between 2012 and 2014, IMF press releases published at the time of each loan.

Table 2

Financial assistance disbursed by the ESM and related repayments

(billions of euros)

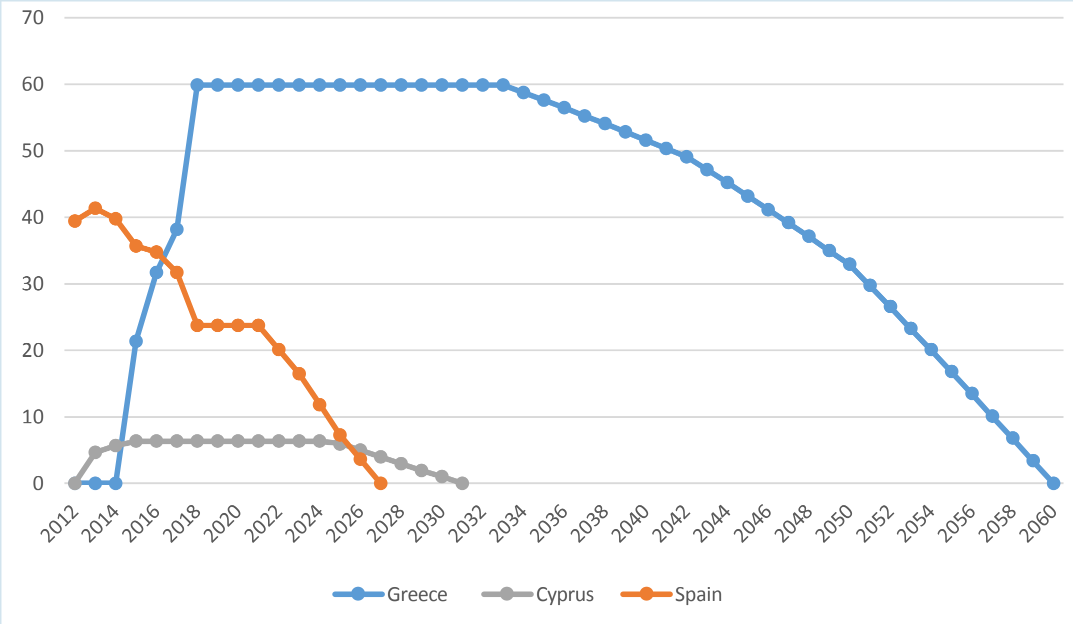
		2012	2013	2014	2015	2016	2017	2018	Total	Net Total
Greece	disbursements				21.4	10.3	8.5	21.7	61.9	59.9
	repayments				0.0		2.0		2.1	
Spain	disbursements	39.5	1.9						41.3	23.7
	repayments			1.6	4.0	1.0	3.0	8.0	17.6	
Cyprus	disbursements		4.6	1.1	0.6				6.3	6.3
	repayments									
Total disbursements		39.5	6.5	1.1	22.0	10.3	8.5	21.7	109.6	
Total repayments				1.6	4.0	1.0	5.0	8.0	19.7	

Source: Based on ESM data available at: https://www.esm.europa.eu/assistance/programme-database/programme-overview.

Figure 1

Residual debt towards the ESM

(billions of euros)

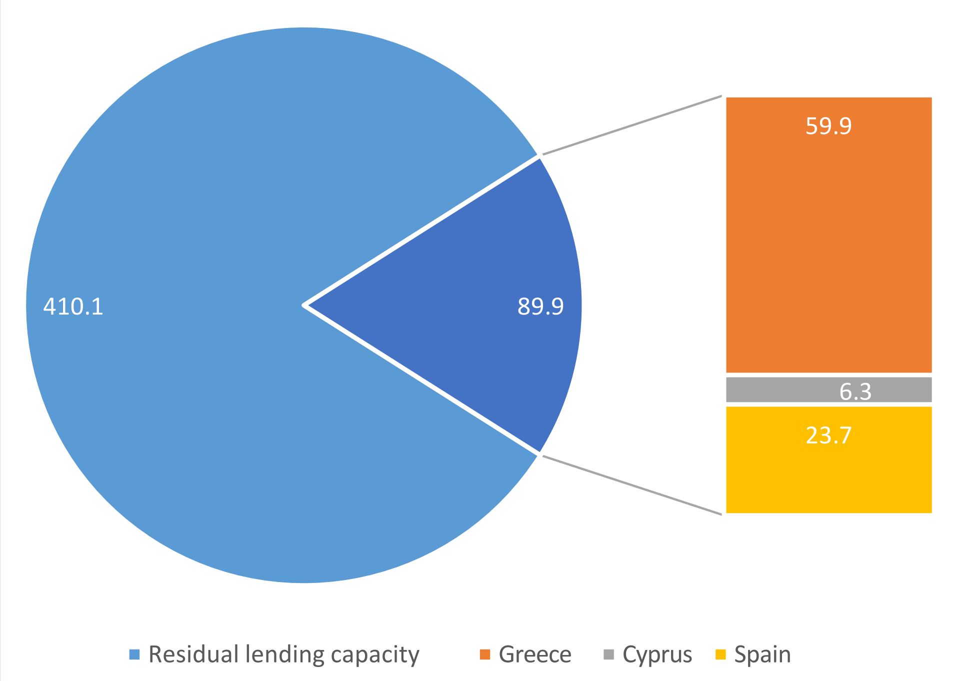


Source: Based on ESM data available at: https://www.esm.europa.eu/assistance/programme-database/programme-overview.

Figure 2

Financial assistance (net of repayments) disbursed by the ESM by country and residual lending capacity

(billions of euros)



Source: Based on ESM data available at: https://www.esm.europa.eu/assistance/programme-database/programme-overview.

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