- CFSP Statements
- Other declarations
- Conclusions
- Speeches
- Articles
- Interviews
- Press releases
- Background Notes / Documents
- News
- Multimedia gallery

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Back Print

Extraordinary Ecofin meeting

Ecofin reached an agreement on a loan package of more than 500 billion euros for exceptional cases

10-05-2010

The Second Vice-President of the Spanish Government and Finance Minister, Elena Salgado

After a meeting in Brussels lasting more than eleven hours, which finished in the early hours of Monday morning, the Economy and Finance Council (Ecofin) reached an agreement on a loan package of more than 500 billion euros allocated to cover the needs of members with solvency problems and to defend the euro.

The European stabilisation mechanism includes an aid facility to balance of payments to a value of 60 billion euros, with the Union's own resources as guarantee, plus 440 billion in funds or guarantees supplied by the Eurozone member states, as well as a quantity from the International Monetary Fund (IMF) to the value of at least half of Europe's contribution.

The agreed aid package will be added to the 110 billion euros that has been assigned to the rescue of Greece, which the Europeans and the IMF will begin to pay out immediately.

The Second Vice President of the Spanish Government and Minister of Economy and Finance, Elena Salgado, stressed in a press conference that the extraordinary Ecofin meeting, called by the Spanish Presidency of the EU, intended to set in motion financial stability mechanisms, as well as preserving financial stability in Europe, and

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12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

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in particular, in the Eurozone.

Salgado indicated that in that meeting a commitment to fiscal sustainability was reached to help the economic growth of all member states, and added that the measures include plans that “should be speeded up”.

In this context, she added that there is a commitment to make advances in the regulation and supervision of the Financial System and, in particular, in derivative products and qualification agencies (rating), as well as speeding up processes for managing the crisis.

To speed up fiscal consolidation in Spain

Elena Salgado assured that the "exceptional circumstances" facing the Eurozone made it advisable to speed up fiscal consolidation in Spain, and explained that a greater reduction of the deficit in 2010 and 2011, "is not additional" to the consolidation already forseen for the period of 2010-2013, but that it meant bringing the effort forward to the first two years.

The plan consists of an additional reduction of 0.5 percent in 2010, which is added to the supplimentary 0.5 percent agreed in March, and the additional one percent in 2011.

The Spanish Minister of Economy and Finance recalled that last Friday all the leaders had confirmed that the Eurozone was experiencing exceptional circumstances that required exceptional responses, and that they had all committed themselves to speeding up fiscal consolidation.

"Consoldiation has become more important that growth", stated Salgado when questioned about the efects that the adjustment may have on Spain's economic growth.

In this context, Salgado announced that Spain will present its specific measures on 18 May in a new Ecofin meeting and stated that the President of the Spanish government, José Luis Rodríguez Zapatero, will explain the details on Wednesday in Spain's Congress of Deputies.

Portugal also announced to its European partners that it will increase its efforts at fiscal adjustment.

The European Commissioner for Economic and Monetary Affairs, Olli Rehn, affirmed in the same press conference that “we are talking about the financial stability of the Eurozone as a whole”, and said that the European Commission has presented specific proposals to guarantee financial stability in Europe.

After stating that there is a total, solid commitment to bring the process of fiscal consolidation forward, Rehn added that both Spain and Portugal “ have expressed a clear commitment to adopt measures within a short period of time”.

Asked what was considered to be “exceptional cases”, Olli Rehn stated that “in the Eurozone there have been systematic attacks, which is considered to be exceptional circumstances that prove to be too much for the affected member state".

Measures by the European Central Bank (ECB)

The European Central Bank (ECB) has decided to adopt a series of exceptional measures on the debt and currency markets, in order to contribute to the stabilization of the Eurozone. .

These are "very significant operations", announced Olli Rehn, who referred questions to the ECB for details.

In a statement, the ECB informed, specifically, that it had decided to intervene in public and private debt markets to ensure liquidity in financial segments that are dysfunctional.

The Government Council has taken this decision after the commitment by European finance ministers early this morning to adopt "all necessary measures to reach fiscal objectives this year and in the years that follow, in line with procedures for excessive deficits".

The ECB noted, in particular, the additional commitments announced by some countries (Spain and Portugal), which will speed up fiscal consolidation..

In order to neutralise the impact of these operations on debt markets, the ECB will undertake specific operations to reabsorb the liquidity injected into the system, so that the entity's monetary policy will not be affected..

The ECB also explained a joint action with the Bank of Canada, the Bank of England, the US Federal Reserve, and the National Bank of Switzerland, whose purpose is to reduce tensions that have appeared in European markets for short-term financing in dollars.

The five organisations announced the reactivation of temporary facilities for currency exchange in dollars, whose purpose is to facilitate liquidity in the US currency for European banks.

- Video: Summary of the press conference following the Extraordinary Meeting of Finance Ministers

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