EFSF approves eighth reduction of step-up interest margin for Greece

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02/02/2023
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(Luxembourg) - The Board of Directors of the European Financial Stability Facility (EFSF) decided today to reduce to zero the step-up margin accrued by Greece for the period between 17 June 2022 and 31 December 2022, as part of the medium-term debt relief measures agreed for the country in 2018. The value of this eighth reduction amounts to €122.5 million. The Board of Directors also decided to reduce the step-up margin to zero from 1 January 2023 onwards. This concludes the reduction of the step-up margin under the medium-term debt relief measures.

Additionally, as part of the debt relief measures, the European Stability Mechanism (ESM), acting as an agent for the euro area member states and after their approval, will make a transfer of approximately €603 million to Greece. This corresponds to the income earned on holdings regarding the Securities Markets Programme (SMP) and the Agreement on Net Financial Assets (ANFA).

“Greece has made continued progress with reform implementation, while capably dealing with the challenging economic fallout of the war in Ukraine. The European institutions had delivered a positive assessment regarding Greece’s reform commitments to be completed by autumn 2022. This cleared the way for this tranche of debt relief measures tied to those commitments. The total value of all the medium-term debt relief measures amounts to €11.5 billion,” said ESM Managing Director and EFSF CEO Pierre Gramegna.

He added: “Thanks to the comprehensive reforms that Greece has implemented over recent years, its economy has become much more dynamic and resilient. The country exited the enhanced surveillance framework and economic growth was among the highest in the EU in 2022. Responsible and sustainable fiscal policy should remain a priority, and further efforts should continue, particularly regarding the reduction and workout of non-performing loans, the clearance of arrears, primary health care reform, and labour legislation.”

The step-up margin of 2% relates to the €11.3 billion EFSF loan for Greece (part of the second Greek programme), which was used to fund a debt buy-back in 2012. The margin had originally been foreseen to apply to this loan from 2017 onwards. Under the short-term debt-relief measures, the step-up interest margin was reduced to zero for the year 2017. As part of the subsequent medium-term debt relief measures for Greece, a conditional mechanism to reduce the step-up margin to zero, starting with the year 2018, was agreed. Such reductions have been implemented by Board decisions in relation to half-year periods up to the end of 2022, based on a positive assessment of Greece’s continued implementation of key reforms under the ESM programme, and compliance with its post-programme policy commitments. The decision on the reduction of the margin from 1 January 2023 onwards was taken on the same basis.

The transfer of SMP/ANFA income equivalent amounts to Greece on a semi-annual basis depends on the country’s compliance with its policy commitments. This was one of the medium-term debt relief measures for Greece listed in the Eurogroup statement of 22 June 2018.

The reduction of the step-up margin and transfer of SMP/ANFA income equivalent amounts represent the eighth tranche of policy-contingent debt relief measures for Greece.

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