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# Financial assistance in Portugal

**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

Council Implementing Decision 2011/344/EU of 30 May 2011 on granting Union financial assistance to Portugal (OJ L 159, 17.6.2011, pp. 88–92).

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

Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism (OJ L 118, 12.5.2010, pp. 1–4).

See consolidated version

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