

Eurogroup statement on Cyprus

The Eurogroup welcomes the institutions' conclusion following the sixth review mission that Cyprus' adjustment programme has been brought back on track. The fiscal performance continues to be solid, the debt outlook has improved, and structural reforms are progressing in several areas. We note with satisfaction the signs that confidence is strengthening, the economy is emerging out of recession, and the stabilization in the labour market, although unemployment remains high.

Reforms in the financial sector have progressed. After repeated delays, the legal framework establishing a new foreclosure procedure has entered into force. A comprehensive reform of corporate and personal insolvency laws has also been adopted. These developments have marked an essential step towards addressing the very high level of non-performing loans, which is a drag on restoring growth and job creation in Cyprus. To sustain the progress achieved so far, we reiterate the importance of ensuring a full, swift and effective implementation of these frameworks. Further action to effectively tackle the very high stock of arrears remains a key priority, with important ground to cover in the coming months, notably facilitating the sale of loans and ensuring that title deeds are transferred without delay to property buyers.

We call on the authorities to lend renewed momentum to the implementation of the fiscal-structural and structural reform agenda, including privatisation and public administration reform, in order to improve economic growth prospects and strengthen public finances, while safeguarding the protection of the most vulnerable groups.

The Eurogroup considers that Cyprus' overall positive track record since the beginning of the macro-financial programme has paved the way to the abolition of all capital controls on transactions earlier in the year.

In view of the above, the Eurogroup endorsed in principle the disbursement of the next tranche of financial assistance to Cyprus. Subject to national procedures and formal approval by the ESM governing bodies, the ESM is scheduled to disburse EUR 100 million in mid-July. Concurrently, the IMF Executive Board is expected to decide on the disbursement of about EUR 280 million.

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