COUNCIL IMPLEMENTING DECISION

of 2 September 2011

amending Implementing Decision 2011/77/EU on granting Union financial assistance to Ireland

(2011/542/EU)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism [1], and in particular Article 3(2) thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) Upon a request by Ireland, the Council granted financial assistance to it (Implementing Decision 2011/77/EU [2]) in support of a strong economic and financial reform programme aiming at restoring confidence, enabling the return of the economy to sustainable growth, and safeguarding financial stability in Ireland, the euro area and the Union.

(2) In line with Article 3(9) of Implementing Decision 2011/77/EU, the Commission, together with the International Monetary Fund (IMF) and in liaison with the European Central Bank (ECB), has conducted the third review of the Irish authorities' progress on the implementation of the agreed measures as well as of the effectiveness and economic and social impact of the agreed measures.

(3) Under the Commission's current projections for nominal GDP growth (1,1 % in 2011, 2,8 % in 2012 and 3,8 % in 2013), the fiscal adjustment path is in line with the Council Recommendation to Ireland of 7 December 2010 pursuant to Article 126(7) of the Treaty and is consistent with a path for the debt-to-GDP ratio of 109,9 % in 2011, 116,2 % in 2012 and 119,4 % in 2013. The debt to GDP ratio would peak in 2013 and be placed on a declining path thereafter, assuming further progress in the reduction of the deficit. Debt dynamics are affected by several below-the-line operations, including capital injection into banks in 2011 with net debt-increasing effect of around 6 percentage points of GDP, an assumption to maintain high cash reserves, and differences between accrued and cash interest payments.

(4) The Irish authorities have indicated that there are very realistic prospects, based on the results of the Liability Management Exercises (LME) conducted thus far, to secure a further EUR 0,51 billion private sector-contribution to the recapitalisation of Bank of Ireland by 31 December 2011. In light of the already large public cost of the bank recapitalisation, and given the conservative approach used to determine Bank of Ireland's recapitalisation need, it is now deemed unnecessary and indeed inappropriate for Ireland to inject that amount of EUR 0,51 billion in advance of the completion of further private sector-contributions in order to meet the programme deadline, as doing so would result in higher than needed fiscal cost and an unnecessarily high capital adequacy ratio for Bank of Ireland once the proceeds from the further private sector-contribution become available. The deadline for the completion of this part of the recapitalisation of Bank of Ireland has been reset to end 2011.

(5) In light of these developments, Implementing Decision 2011/77/EU should be amended,

HAS ADOPTED THIS DECISION:

Article 1

Implementing Decision 2011/77/EU is amended as follows:

(1) Article 1(3) is replaced by the following:

'3. The Union financial assistance shall be made available by the Commission to Ireland in a maximum of 13 instalments. An instalment may be disbursed in one or several tranches. The maturities of the tranches under the first and third instalments may be longer than the maximum average maturity referred to in paragraph 1. In such cases, the maturities of further tranches shall be set so that the maximum average maturity referred to in paragraph 1 be achieved once all instalments have been disbursed.';

(2) Article 3(7) is amended as follows:

(a) point (g) is replaced by the following:

'(g) the recapitalisation of the domestic banks by end July 2011 (subject to appropriate adjustment for expected asset sales and liability management exercises in the cases of Irish Life & Permanent and Bank of Ireland) in line with the findings of the 2011 Prudential Liquidity Assessment Review (PLAR) and Prudential Capital Assessment Review

[1] OJ L 118, 12.5.2010, p. 1.
[2] OJ L 30, 4.2.2011, p. 34.

(PCAR), as announced by the Central Bank of Ireland on 31 March 2011. To allow further burden sharing, the final EUR 0,51 billion step in recapitalising Bank of Ireland will be completed by end 2011 and any further recapitalisation of Irish Life & Permanent will be completed following the disposal of the insurance arm.’;

(b) the following points are added:

‘(q) the submission to the Dáil, by end October, of a Pre-Budget Outlook setting out a medium-term fiscal consolidation plan for 2012-15 outlining the overall composition of revenue and expenditure adjustments for each year, consistent with the targets set out in the Council Recommendation of 7 December 2010;

(r) the announcement, by 2012 Budget day (early December 2011), of binding medium-term expenditure cash ceilings and set out revenue and expenditure measures to deliver the needed adjustment over 2012-15;

(s) the issuance by the Central Bank of Ireland, by end December 2011, of guidance to banks for the recognition of accounting losses incurred in their loan book;

(t) the publication by the Central Bank of Ireland, by end December 2011, of new guidelines for the valuation of collateral for bank loans;

(u) the preparation and discussion, by end December 2011, of a draft programme of asset disposals, including the identification of the potential assets to be disposed, any necessary regulatory changes, and a timetable for implementation.’.

Article 2

This Decision is addressed to Ireland.

Article 3

This Decision shall be published in the *Official Journal of the European Union*.

Done at Brussels, 2 September 2011.

For the Council

The President

M. DOWGIELEWICZ