

10 March 2014

Eurogroup statement on Cyprus

The Eurogroup welcomes the Troika's conclusion following its third review mission that Cyprus's adjustment programme is on track. We commend the authorities' continued prudence in budgetary execution which, together with a less severe recession than anticipated, has contributed to meeting fiscal targets for 2013 with a considerable margin. The outlook remains challenging and maintaining fiscal discipline remains necessary. At the same time, efforts to create the conditions for sustainable growth need to be intensified.

We note with satisfaction the signs of improvement in macro-financial stability as programme implementation has progressed. We welcome the steps already taken to enter the second stage of the gradual relaxation of restrictions on payment flows signified by the relaxation of restrictions on fixed term deposits, in line with the government's milestone-based roadmap. Efforts will need to continue to effectively implement the planned reforms in the financial sector, including in arrears management, and the structural measures agreed in the Memorandum of Understanding.

With the adoption of the umbrella law for budgetary processes and of the privatisation law, Cyprus has also complied with the prior actions agreed under this review. The Eurogroup has therefore 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 150 million by the beginning of April. Concurrently, the IMF Executive Board is expected to decide on the disbursement of EUR 86 million.