STATEMENT BY THE HEADS OF STATE OR GOVERNMENT OF THE EURO AREA AND EU INSTITUTIONS

Since the beginning of the sovereign debt crisis in the euro area, important measures to stabilize the euro area, reform the rules and develop new stabilization tools have been taken. The recovery in the euro area is well on track and the euro is based on sound economic fundamentals. But the challenges at hand have shown the need for more far reaching measures. We reaffirm our commitment to the euro and to do whatever is needed to ensure the financial stability of the euro area as a whole. We also reaffirm our determination to reinforce convergence, competitiveness and governance of the Euro area.

Today, we agreed on the following measures:

Greece:

1. We welcome the measures undertaken by the Greek government to stabilize public finances and reform the economy as well as the new package of measures recently adopted by the Greek Parliament. These are unprecedented, but necessaryefforts to bring the Greek economy back on a sustainable growth path.
2. We agree to support a new programme forGreece and to provide an additional amount of up to [xx] ¤. This programme will be designed, notably through lower interest rates and extended maturities, to decisively improve the debt sustainability and refinancing profile of Greece. We call on the IMF to contribute to the financing of the new Greek programme in line with current practices.
3. We have decided to lengthen the maturity of the EFSF loans to Greece to the maximum extentpossible from the current 7.5 years to a minimum of 15 years. In this context, we will ensure adequate post programme monitoring. We will provide EFSF loans at lending rates equivalent tothose of the Balance of Payment facility (currently approx. 3.5%) without going below the EFSF funding cost. This will be accompanied by a mechanism which ensures appropriate incentives to implement the programme, including through collateral arrangements where appropriate.
4. We call for a comprehensive strategy for growth and investment in Greece. Structural funds should be re-allocated for competitiveness and growth under a European "Marshall Plan". MemberStates and the Commission will mobilize all resources necessary in order to provide exceptional technical assistance to help Greece implement its reforms.
5. Greece is in a uniquely grave situation in the Euro area. This is the reason why it requires an exceptional solution. The financial sector has indicated its willingness to support Greece on a voluntary basis through a menu of options (bond exchange, roll-over, and buyback) at lending conditions comparable to public support with credit enhancement.
6. All other Euro countries solemnly reaffirm their inflexible determination to honour fully their own individual sovereign signature and all theircommitments to sustainable fiscal conditions and structural reforms. The Euro area Heads of Statesor Government fully support this determination

as the credibility of all their sovereign signatures is a decisive element for ensuring financial stability in the Euro area as a whole.

Stabilization tools:

7. To improve the effectiveness of the EFSF and address contagion, we agree to increase the flexibility of the EFSF, allowing it to:

- intervene on the basis of a precautionary programme, with adequate conditionality;
- finance recapitalisation of financial institutions through loans to governments including in non programme countries;
- intervene in the secondary markets on the basis of an ECB analysis recognizing the existence of exceptional circumstances and a unanimous decision of the EFSF Member States.

Fiscal consolidation and growth in the euro area:

8. We welcome the progress made on the implementation of the programmes in Ireland andPortugal and reiterate our strong commitment to the success of these programmes. The EFSF lending conditions we agreed upon for Greece will be applied also for Portugal and Ireland. In this context, we note Ireland's willingness to participate constructively in the discussions on the Consolidated Common Tax Base draft directive (CCTB) and in the structured discussions on tax policy issues in the framework of the Euro+ pact framework.

9. All euro area Member States will adhere strictly to the agreed fiscal targets, improve competitiveness and address macro-economic imbalances. Deficits in all countries except those under a programme will be brought below 3% by 2013 at the latest. In this context, we welcome the budgetary package recently presented by the Italian government which will enable it to bring the deficit below 3% in 2012 and to achieve balance budget in 2014. We also welcome the ambitious reforms undertaken by Spain in the fiscal, financial and structural area. As a follow up to the results of bank stress tests, Member States will provide backstops to banks as appropriate.

10. We will implement the recommendations adopted in June for reforms that will enhance our growth. We invite the Commission to enhance the synergies between loan programmes and EU funds in all countries under EU/IMF assistance. We support all efforts to improve their capacity to absorb EU funds in order to stimulate growth andemployment.

Economic governance:

11. We look forward to the rapid finalization ofthe legislative package on the strengthening of the stability and growth pact and the new macro economic surveillance. Euro area members will do their utmost to help reaching agreement with the EP on voting rules in the preventive arm of the Pact.

12. We commit to introduce legally binding national fiscal frameworks as foreseen in the fiscal frameworks directive by the end of 2012.

13. We agree that reliance on external credits ratings in the EU regulatory framework should be reduced, and look forward to the Commission proposals in this respect.

14. We invite the President of the European Council, in close consultation with the President of the Eurogroup, to make concrete proposals byOctober on how to better organize crisis management in the euro area and improve working methods.
We call on the Eurogroup to implement expeditiously and as a matter of priority the decisions taken today.