Algemene Rekenkamer

Emergency assistance for eurozone countries during the crisis

The use of the European emergency funds between 2010 and 2015

2015

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The original report *Noodsteun voor eurolanden tijdens de crisis; Inzet van de Europese noodfondsen tussen 2010 en 2015* was adopted on 3 September 2015 and presented to the Dutch House of Representatives on 10 September 2015.

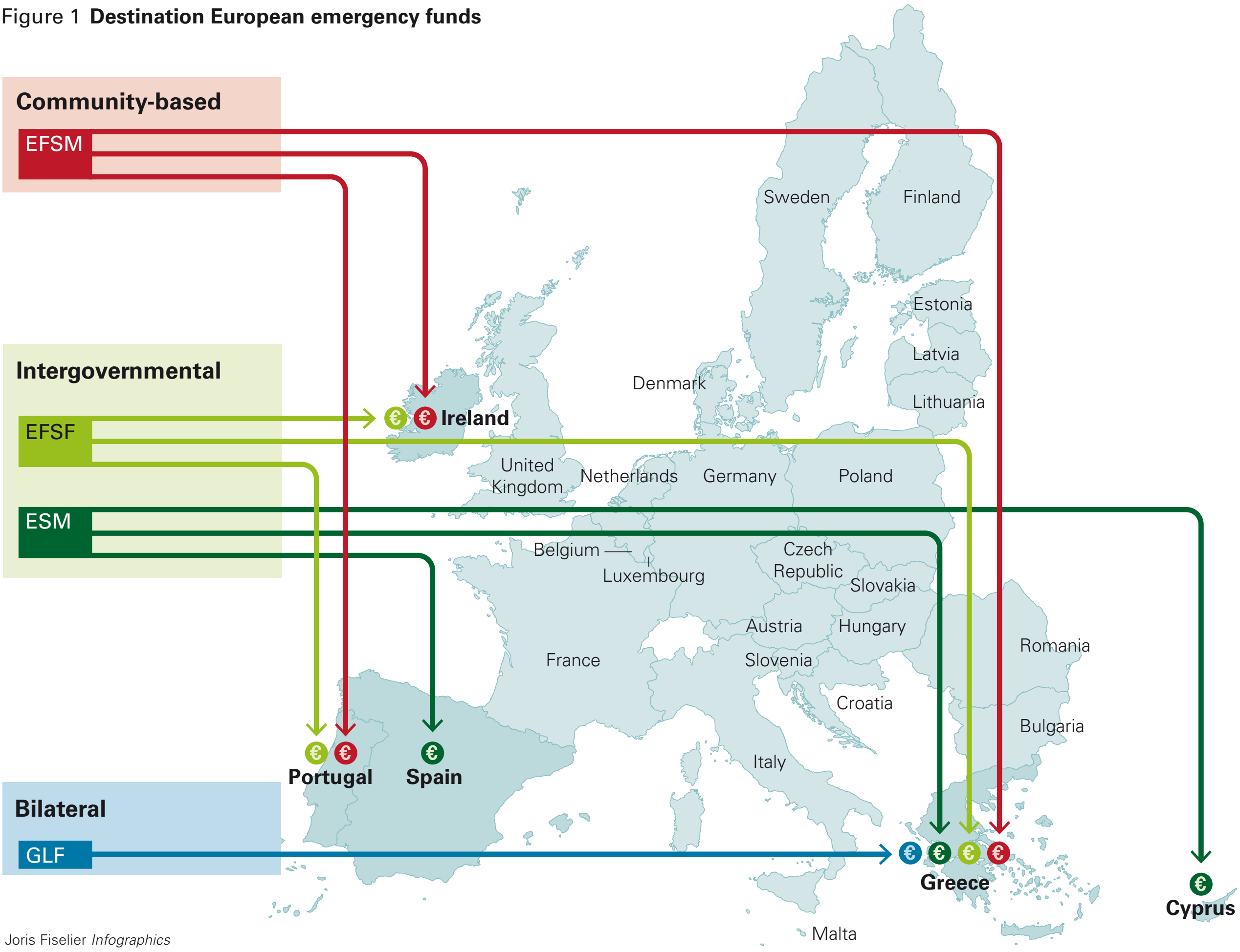
Contents

Report in brief

Since 2008, the financial crisis and economic downturn have brought about a significant deterioration in the public finances of many EU countries. There have even been times when some of these member states lost access to capital markets in order to finance their budget deficits.
In 2010, an untenable situation developed in Greece with the potential to cause severe problems for the financial stability of the eurozone as a whole. In that year, the EU, the European Central Bank (ECB), the eurozone countries and the International Monetary Fund (IMF) took rapid action to intervene in those countries that were in difficulties. One of the measures taken was the establishment of European emergency funds specifically for the eurozone.
The emergency funds were used to provide assistance programmes for Greece, Ireland, Portugal, Spain and Cyprus. However, these assistance programmes and the financial support that was provided were coupled with important requirements. They were conditional on structural reforms and spending reductions to be implemented by the countries receiving the loans.

Ireland, Portugal and Spain have now been able to leave the European assistance programmes.

Figure 1 **Destination European emergency funds**



Joris Fiselier *Infographics*

A great deal of money is tied up in the emergency funds. This is the case for the recipient countries, for the countries that contribute to the emergency funds, and for the IMF, which has also provided assistance to the countries that needed it. The eurozone as a whole is now acting as the guarantor for loans worth hundreds of billions of euros.

This study will consider the following questions: (1) How were the European emergency funds and assistance programmes established? (2) How have they been deployed in practice? (3) How are democratic control and accountability ensured in relation to these flows of cash (including the provision of information to the Dutch Parliament) and what opportunities are there for independent external controls?

Our findings

The study reaches the following findings:

- Prior to the establishment in 2012 of the permanent emergency fund (the European Stability Mechanism, ESM) by and for the eurozone countries, finance ministers from those countries (which together form the 'Eurogroup') had already set up a range of temporary European emergency funds in 2010.[1] This had been done in some haste, however, because confidence in certain euro countries was ebbing away rapidly on the financial markets. The establishment of the emergency funds occurred mainly within the Eurogroup and outside the framework of the EU treaties. The emergency funds had a combined maximum lending capacity of around €850 billion (as of 31 August 2015). The Netherlands guaranteed (as it still does) approximately €90 billion. Our country has already made an effective contribution of almost €8 billion.
- Some €440 billion has been provided in emergency assistance in the form of loans, but it is impossible to know in detail how this money has been spent. After an assistance programme has been completed, post-programme surveillance begins. If, during this phase, doubts arise about financial stability and the capacity of recipient countries to repay the emergency assistance, it is only possible to issue *recommendations* for corrective actions to the countries concerned. The creditor nations and authorities have already rescheduled the deadlines for repayment. They have also reduced the premium on the interest rate on the outstanding debt. At the European level, the independent evaluation function with respect to the assistance programmes has not been guaranteed, meaning that no independent evaluations have yet been carried out.
- Since 2010, the Netherlands House of Representatives has been kept regularly informed about the establishment of support operations and the Netherlands' role in these. On some occasions, the information provided could have been more detailed. The decisions of the 'troika' (European Commission, IMF and ECB) and the Eurogroup take place outside normal processes of democratic control and accountability.[2] There is currently no means by which to conduct an independent external control of the fund for the Greek Loan Facility (GLF) and the European Financial Stability Facility (EFSF), which have spent a combined sum of €240 billion. Under the European Financial Stabilisation Mechanism (EFSM) and the European Stability Mechanism (ESM), such controls are possible but this possibility has only been used to a limited extent.

1
The Eurogroup consists of the finance ministers of the countries that use the euro as their single currency (the eurozone).

2
Together, these three parties determine whether EU countries that receive emergency assistance have complied with the austerity measures and reforms that were agreed in order for them to receive the assistance.

Issues for the Minister of Finance

On the basis of the above findings, we have identified the following issues for the Minister of Finance:

- At European level, the Economic and Financial Affairs Council (ECOFIN) should order an independent evaluation of the assistance programmes that have been completed, including the first assistance programme for Greece (2010-2011), in order to draw lessons for the future - just as the IMF has done.[3]
- We recommend that the independent external audit of the EFSF emergency funds be accommodated within the ESM Board of Auditors. The ESM Board of Auditors should make better use of the provisions of the ESM Treaty and the related 'by-laws' and conduct an audit of how the assistance provided has actually been spent.[4] The Board of Auditors should be provided with sufficient staff and resources to do this.

Lessons for the future

Furthermore, we have formulated a number of lessons for the future which the Minister of Finance could raise in Brussels:

- Countries that borrow money from the emergency funds should clarify how that money has been spent using methods such as independent and public reporting. This would not only serve the interests of greater transparency, but this information is also needed to ascertain whether the use of the emergency assistance is actually effective.
- With the repayment of the emergency assistance that has been provided in mind, the European Commission could also intensify its programme of post-programme surveillance for countries that have left the assistance programmes. To do this, the Commission could make annual use of the possibility of in-depth analysis through the 'European Semester' - the system of cyclical monitoring and coordination for the economy and public finances of EU member states which was introduced in 2011.[5] Coupled with this, ECOFIN should make specific recommendations to these countries with respect to their budgetary and macroeconomic situation. These recommendations could also include corrective elements, where necessary.
- For any future assistance programmes, agreements should be made at the outset on an independent evaluation of the effectiveness of the measures taken.
- The mechanisms for democratic control and accountability within the decision-making of the Eurogroup and the troika could be strengthened. Parliaments - both the European parliament and national parliaments - should be given insight into this decision-making process, and be given the powers to monitor it when necessary.
- It is important that the European Commission is better able to monitor the quality of the financial data that serve as the basis for an assistance programme. This could help to prevent any repeat of the issues surrounding the first assistance programme for Greece, when the financial information that was used as the basis for the programme turned out to be wrong.

3
ECOFIN is composed of the Ministers of Economic affairs and/or Finance of all EU member states.

4
Article 24, paragraph 4 of the by-laws associated with the ESM treaty details the work of the Board of Auditors. It includes the following: 'The Board of Auditors (…) shall audit regularity, compliance, performance and risk management of the ESM in accordance with international auditing standards.'

5
The fiscal policies of the EU member states and the potential for unacceptable budget deficits are examined specifically in the first half of each year as part of the 'European Semester'. This is done by the European Commission, ECOFIN and the European Council. They also consider any macro-economic imbalances and potential problems in the financial sector. Recommendations are formulated with respect to how countries can tackle these problems in the best way.

Response Minister of Finance and afterword Netherlands Court of Audit

The Minister of Finance writes in his response that he will indicate to the European Commission that it is important that evaluations of the completed assistance programmes are carried out, and that he would welcome an audit by the ESM Board of Auditors into the regularity and effectiveness of the emergency loans. He agrees with us that the Commission's monitoring of the quality of financial information should be tightened.
The Minister believes that the ECB's focus on emergency assistance occupies an ambiguous place in the study, and he does not share our view that the independent external audit of the EFSF ought to be carried by the ESM Board of Auditors. He also indicates that the scope of any audit should be broader than simply how the emergency assistance was used, however, and he does not agree with us on the need for strengthening post-programme surveillance. Finally, he points out that the decision to establish the EFSF and ESM on an intergovernmental basis was a political decision, meaning that these bodies do not fall under the Treaty on the functioning of the European Union (TFEU) and the European Parliament therefore has no role to play.

We point out that since 2010 taxpayers' money has been used to grant or guarantee loans extended via the emergency funds. In our opinion, this necessitates transparency in the decision-making processes of the Eurogroup as well as the appropriate level of control and accountability. We are appreciative that the Minister will point out to the Commission the importance of evaluating the completed loan programmes. We would emphasise that such an evaluation must be independent, and that the relevant agencies should not simply be left to conduct their own evaluations.
We conclude that there remains a difference of opinion regarding the desirability of independent external auditing of the EFSF. De facto, a Board of Auditors composed of individuals who are directly involved would make an *independent* external audit impossible.

1 Introduction

1.1 The context of this study

The euro crisis of recent years has led to the establishment of several assistance programmes and emergency funds for countries in financial difficulty and also monetary operations by the European Central Bank (ECB). These arrangements involve many billions of euros. For three of the eurozone countries that have received assistance from the European Union (EU) in recent years, these assistance programmes have now ended: Ireland, Portugal and Spain. This is not yet the case for Greece and Cyprus. In August 2015 a third assistance programme was agreed upon for Greece.

Background

The EU established the goal of economic and monetary union (EMU) in the Maastricht Treaty of 1992. The single currency was introduced in twelve EU member states in 2002. By 2015, nineteen EU member states had reached the final stage of EMU and adopted the euro as their currency.
In parallel to the process of currency union, the EU policy developed its policy in the field of the economy and government borrowing. This led to some tension between the desire of member states to retain as much national autonomy as possible, on the one hand, and the need for common rules and measures to ensure compliance and enforcement, in order to guarantee sound financial policies, on the other. This tension was reflected in the compromises made at the time: on the one hand, there were binding agreements such as the Stability and Growth Pact[6] in 1997, and on the other hand there was 'soft law', such as the Europe 2020 strategy from 2010.[7]

The financial and economic crisis, which began in autumn 2008, brought to light the shortcomings in the way in which the eurozone had been designed. Some countries appeared not to have adhered to the common rules, and strict enforcement of those rules by the EU had also been lacking over the years (Netherlands Court of Audit, 2014a).

Measures

Since 2010, the EU - and within it, the eurozone - has responded to the crisis with a large number of legislative and policy initiatives. Since 2011, new common rules in the field of the economy and public sector borrowing have further strengthened the EMU. These include an annual coordination mechanism, called the 'European Semester'.[8] On 4 November 2014, moreover, the ECB has officially assumed its supervisory duties as part of the European banking union.

Even before the crisis, the EU has had a programme in place to financially assist countries experiencing problems with their balance of payments since as early as 1988.[9] However, for the countries that ran into trouble in 2008 and the subsequent years - such as Greece - the usual channels of assistance were not enough. For this reason, working with the IMF, assistance programmes and later emergency funds were established. By the end of 2014, these funds had been used - with support from the IMF - to lend hundreds of billions of euros to Greece, Ireland, Portugal, Spain and Cyprus. The ECB also used the monetary programmes to protect the economies of the countries of the Eurozone against the effects of the financial crisis.[10]

6
Under the Stability and Growth Pact, it was agreed that the budget deficit of the EU member states must not exceed 3% of their gross domestic product (GDP) and that the sovereign debt of EU member states must not be allowed to exceed 60% of their GDP.

7
The Europe 2020 Strategy is the EU's longer-term strategy, which aims to develop the European economy into a highly competitive and green social market economy.

8
The fiscal policies of the EU member states and the potential for unacceptable budget deficits are looked at specifically in the first half of each year as part of the European Semester. This is done by the European Commission, the ECOFIN Council and the European Council. They also consider any macro-economic imbalances and potential problems in the financial sector. Recommendations are formulated with respect to how countries can tackle these problems in the best way.

9
The 'Balance of Payment' programme involved the use of loans to ensure that one member state's budgetary policy could not destabilise other EU member states.

10
The ECB does this for instance by buying up government bonds. See Netherlands Court of Audit (2013).

The measures taken since 2010 include (a) assistance programmes and (b) emergency funds:

- An *assistance programme* is a package of agreements that the European Commission provides to a state that has requested assistance.[11] The European Commission is authorised to make these agreements by the eurozone countries or ECOFIN (depending on the amount of the funds to be deployed), after consultations with the ECB and (in most cases) the IMF. It are the eurozone countries or ECOFIN that formally decide on the start and continuation of an assistance programme.[12] The package of agreements includes both commitments to provide financial assistance through one or more of the emergency funds as well as the other requirements that the member state must needs to meet in order to receive the assistance (such as the introduction of reforms and spending reductions). It is then up to the 'troika' (the European Commission, the IMF and the ECB) to verify whether these have been met.
- An *emergency fund* is a tool with which, within the framework of an assistance programme, loans can be provided to a member state. Starting in May 2010, the aim of the emergency funds was initially to provide financial assistance to member states which had no access (or risked losing their access) to the international capital markets. Later (from mid-2012), this aim was widened to include the recapitalisation of banks.

Our study: the four emergency funds

This report covers the European emergency funds deployed within assistance programmes used to assist eurozone member states in financial difficulties. We will look at the following funds:

- the Greek Loan Facility (GLF);
- the European Financial Stabilisation Mechanism (EFSM);
- the European Financial Stability Facility (EFSF).
- the European Stability Mechanism (ESM).

1.2 This study

The four European emergency funds that are central to this study represent a significant financial interest - both for the Netherlands and for the eurozone as a whole. This means that they involve financial risks for the European and the Dutch taxpayer.

It is for that reason that we need democratic control and accountability in a systematic and well-organised manner. Transparency is needed concerning the European assistance programmes and emergency funds, how they are created, their decision-making procedures, their deployment and the results that they achieve.

The urgency of the situation faced in 2010 and 2011 meant that decisions on EU assistance programmes and emergency funds had to be taken under severe time pressure. Consequently, control, accountability and transparency were not priorities at that time. This fact, combined with the financial risks to the Netherlands and the eurozone, is the reason for this study. The aim of this study is to contribute to ensuring greater transparency in relation to the creation of these assistance programmes and emergency funds, their decision-making procedures, the results that they achieve, and to improve accountability in this area.

11
A 'macro-economic adjustment programme' is also part of the European Semester. Countries that become recipients of emergency assistance are exempt from other European economic and budgetary monitoring processes for the duration of that assistance.

12
The internet supplement to this report includes flowcharts to illustrate the decision-making procedures that relate to each of these emergency funds. See www.rekenkamer.nl/eu-governance-en

This study is based on general standards of good governance, which we have translated into the following principles:

- Decision-making and the provision of information to parliament must proceed in a manner that is prudent and reconstructible.
- Given the financial risks and the amount of money involved, there ought to be enough possibilities: (a) for a means for exerting democratic control over the decision-making on the assistance programmes and emergency funds, (b) for accountability with regard to the decision making, and (c) for independent external audit of the funds spent.
- There must be greater transparency concerning the implementation of European assistance programmes and emergency funds, and the results that they achieve.

This report focuses on the creation and functioning of emergency funds for eurozone countries, such as those deployed within the European assistance programmes to Greece, Ireland and Spain.[13] Financial support from the IMF will also be discussed, as well as the role played by the ECB.[14]

We hope to answer the following questions in this study:

1. How were assistance programmes and emergency funds set up and what are the similarities and differences between the emergency funds?
2. How has the emergency assistance been deployed in practice?
   a. How much money has been lent from the emergency funds?
   b. What has the money lent from the emergency funds been used for?
   c. When will the money lent from the emergency funds be repaid?
   d. Has the use of the emergency assistance been effective?
3 How can democratic control and accountability be ensured in relation to decisions made concerning the assistance programmes and emergency funds? To what extent are there provisions for an independent external audit of the spending from the emergency funds, and the results of this? Are these provisions used?

For this study, we have used data that is not available to the public as well as data that is partially available to the public from the Ministry of Finance, concerning the Netherlands' contributions to the creation of assistance programmes for Greece, Ireland and Spain.[15] In addition, we have used information from public sources including the European Commission, the ECB, the IMF and the European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM).[16] By combining information already in the public domain with information from outside the public domain, and doing so in a methodical fashion, we are helping to create greater transparency concerning the European emergency funds.

1.3 Guide to this report

The report is structured on the basis of the three research questions mentioned earlier. We first provide an overview of the major assistance programmes and emergency funds (Section 2). We will then consider aspects relating to the spending, repayment and effectiveness of the emergency funds (Section 3). Subsequently to that, we will discuss the process of democratic control and accountability in relation to decision-making on the assistance programmes, and the opportunities for independent external monitoring of expenditure from the emergency funds. The information provided to the Dutch parliament will also be covered (Section 4).

13
We have selected just three countries, in order to reduce the need for research. We chose these three countries because together they cover all four of the emergency funds. In this study, we look at the programmes of assistance through which the emergency funds have been deployed. The questions of whether the reports of the troika are accurate, and whether the recipient countries have met all the requirements of the troika is beyond the scope of this study.

14
Assistance has also been provided from the EU budget and in the form of bilateral assistance, to Ireland for instance. Because of the relatively limited nature of these forms of assistance, we will not consider it in this report. For more information, please visit www.rekenkamer.nl/eu-governance-en

15
Appendix 2 includes a number of fact sheets with information relevant to Greece, Ireland and Spain in relation to the European emergency funds, such as a timeline of events, the amounts involved and the schedule for repayment.

16
Our dossier on EU governance also includes fact sheets about the emergency funds that we consider. Please visit: www.rekenkamer.nl/eu-governance-en

We will conclude with a brief summary and some lessons for the future (Section 5).

Final word: this study focuses on the period between 2010 and the spring of 2015. It does not cover the developments between Greece and its creditors since June 2015. No qualitative statements will be made about these.
The figures on Greece used in this report required some adjustment shortly before going to press. The fact sheet on Greece included at the end of this report was updated on 31 August 2015 on the basis of the latest information from public sources. The amended fact sheet was also presented to the Minister of Finance for an official response.

2 Overview of the main assistance programmes and emergency funds

2.1 Summary of main findings

Prior to the establishment of the permanent emergency fund (the European Stability Mechanism, ESM) by and for the eurozone countries in 2012, finance ministers from those countries (which together form the 'Eurogroup') had already set up a range of temporary European emergency funds in 2010.[17] This had been done in some haste, however, because confidence in certain euro countries was ebbing away rapidly on the financial markets. The establishment of the emergency funds occurred mainly under the auspices of the Eurogroup, and thus outside the framework of the EU treaties. The emergency funds had a combined maximum lending capacity of around €850 billion (as of 31-8-2015). The Netherlands guaranteed (as it still does) approximately €90 billion of this. Our country has made an effective contribution of almost €8 billion.

Even before the European emergency funds had been established, some EU countries had received financial assistance. This had been disbursed directly from the EU budget or through loans as part of the Balance of Payments Programme. The emergency funds for eurozone countries began their existence as a supplement to these existing forms of assistance. The new funds were set up with considerable urgency in 2010. Very rapid measures were called for because of the rapidly declining confidence in the financial markets in eurozone countries such as Greece, Italy and Ireland.
This haste is evident in the way that the assistance programmes for Greece and Ireland had been designed. Because there was no basis in any law or treaty for a permanent emergency fund, several temporary emergency funds were established alongside each other. The establishment of emergency funds was also hampered by the fact that the interests of the eurozone states and non-euro countries were not aligned. Partly for this reason, the emergency funds were set up mainly under the auspices of the Eurogroup and outside the framework of the EU treaties (§ 2.2).

The temporary emergency funds differ in terms of their legal basis, their administrative arrangements, their scope and remit and their financial capacity.
In 2012, a permanent emergency fund was established for the eurozone countries.
From mid-2013 onwards, the temporary emergency funds were not allowed to extend any new emergency credit.
The financial impact of the emergency funds is high: on 31 August 2015, the collective maximum lending capacity was approximately €850 billion. The Netherlands guarantees approximately €90 billion and has actually provided nearly €8 billion (§ 2.3).

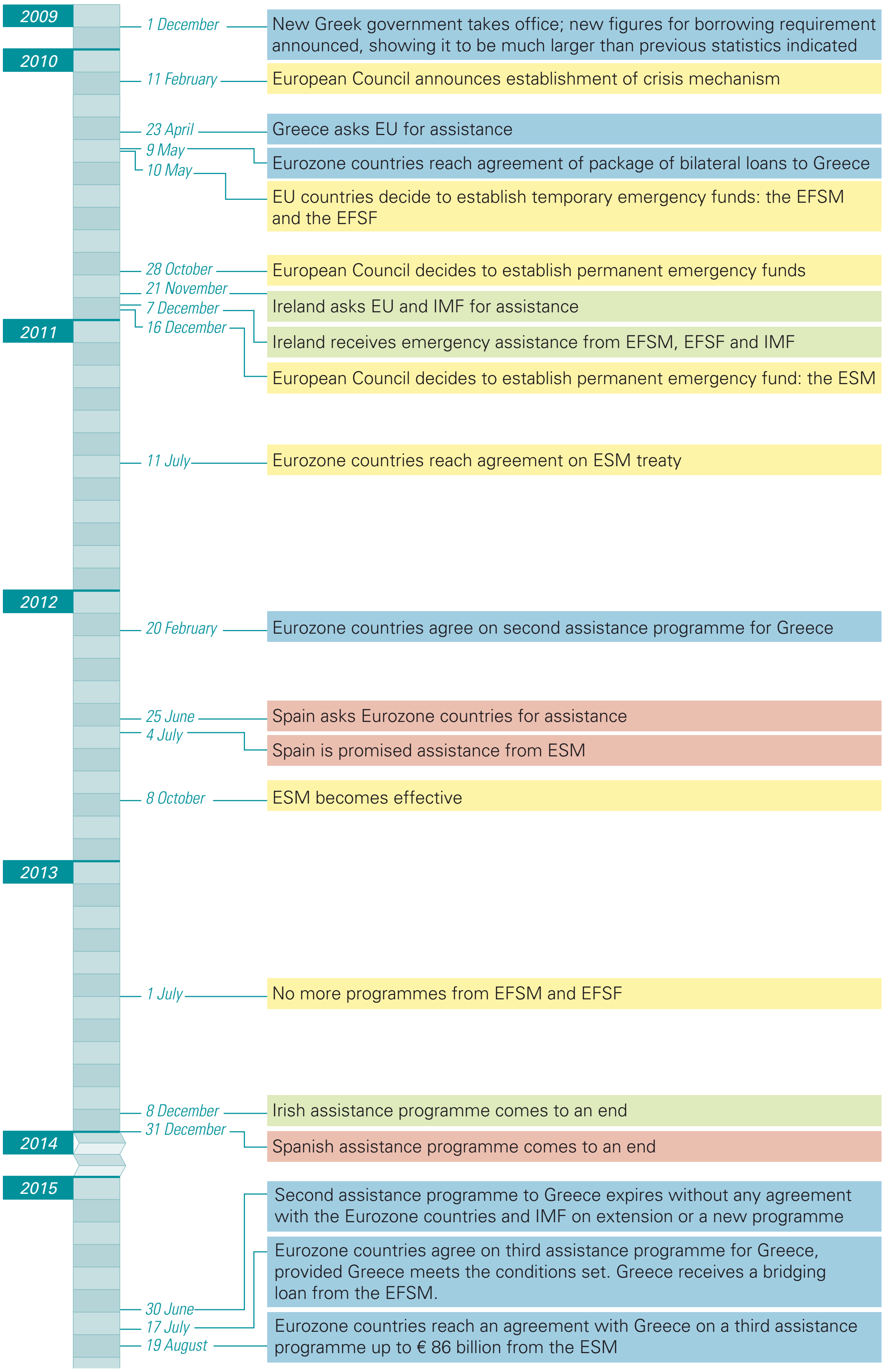
2.2 How the European emergency funds were created

Before the European emergency funds were established, EU member states were already receiving financial assistance from the EU in different ways. The EU budget was used for this. Some countries (Latvia, Hungary and Romania) have received loans under the Balance of Payments Programme.[18] Additionally, the ECB used its monetary operations to ensure that states were regularly given a helping hand on the bond markets, also in regard to the sustainability of their budget deficit and sovereign debt position.

17
The Eurogroup consists of the finance ministers of the countries that use the euro as their single currency (the eurozone).

18
This programme was designed to use loans to ensure that the negative effects of one member state's budgetary policy could not destabilise other EU member states. The facility was established for member states that had not yet adopted the euro in 2002.

Figure 2 **Timeline of emergency funds 2009 - 2015**



The Greek Loan Facility

In April 2009, ECOFIN[19] decided that Greece's budget deficit was excessively high (Council of Ministers, 2009). At that point, Greece's sovereign debt amounted to 115.1% of GDP according to figures published at the time, and the government's budget deficit amounted to 13.6% of GDP. In February 2010, the full European Council[20] urged Greece to implement measures swiftly, by May 2010, in order to correct its excessive budget deficit by 2012 (European Council, 2010a). At the same time, the euro countries indicated that they were prepared to take 'vigorous and coordinated action' to ensure the stability of the euro area. The ECB and the IMF would be involved in this.

In early April 2010, Greece requested bilateral loans from the other euro countries, because Greece was, by that point, only able to secure finance from the capital markets at a very high rate of interest (approximately 10%). The ministers of the euro countries decided unanimously to initiate assistance in May 2010. This assistance - the Greek Loan Facility (GLF) - represented a pooling of bilateral loans from euro countries and was coordinated by the European Commission on behalf of the euro countries, and was combined with support from the IMF.

The assistance programme included strict policy requirements for Greece, which focused on strengthening budgetary monitoring and measures to reduce the Greek public sector borrowing requirement.[21]

The crisis spreads and the EFSF and EFSM are established

In 2011, the GLF proved insufficient for addressing the financial problems in Greece; meanwhile the problems now had the potential to affect the eurozone as a whole. But the eurozone still lacked a structural mechanism for crisis management. The EU member states wanted to establish a 'European Monetary Fund', but this was not possible due to treaty issues. The Treaty on the Functioning of the EU (TFEU) still had no provision for allowing emergency assistance on a permanent basis. Furthermore, Germany insisted that its participation was conditional on the establishment of a mechanism outside the structures of the European Union.[22]

In May 2010, ECOFIN approved a 'comprehensive package of measures totalling €500 billion to maintain financial stability in the EU in light of the very fragile situation in the financial markets with a very high risk of contagion' (Council of Ministers, 2010).[23]

Two temporary emergency funds were established:

- a *Community-based* fund (i.e. which was funded by all EU member states) of a limited financial scale, the *European Financial Stabilisation Mechanism* (EFSM);
- a larger fund for eurozone countries managed on an *intergovernmental basis, the European Financial Stability Facility* (EFSF).

The community-based EFSM was meant to enable the EU to respond in a coordinated, rapid and effective manner to acute difficulties in a particular member state, in the event of (the prospect of) exceptional financial situations that member states would not be able to manage on their own (European Council, 2010d).[24] The European Commission was able to guarantee lending to a maximum of €60 billion in this manner.

19
The Council for Economic and Financial Affairs, ECOFIN, is made up of the Ministers of Economic Affairs and/or Finance from all EU member states.

20
The European Council consists of the heads of state and government of the 28 EU Member States as well as a permanent council president.

21
The reinforcement of budgetary monitoring was made a requirement on the basis of Article 136 of the Treaty on the Functioning of the EU (TFEU). Measures to correct the excessive deficit were required under article 126, paragraph 9 of the TFEU. Assistance to Greece was also made subject to the country's compliance with the Council's decision on budgetary control and the reduction of the government deficit, as well as with the requirements of the Memorandum of Understanding (MoU) between the European Commission and Greece (European Council, 2010b).

22
According to Germany, an intergovernmental structure would enable more ambitious and efficient management.

23
The IMF pledged a further sum of €250 billion, meaning that the facility could draw on over €750 billion in total.

24
Article 22, paragraph 2 of the TFEU provides for the possibility of financial assistance to member states under certain conditions, and as such is not really a crisis mechanism. The EFSM was inspired by the financial support mechanism of the balance of payments programme.

The EFSF for the eurozone states was designed as a 'special purpose vehicle' to provide supplementary assistance of up to €440 billion, over a period of three years. This fund consists of guarantees for loans.[25] The Eurogroup established the EFSF in the form of a Luxembourg public limited liability company (société anonyme) in June 2010 (European Council, 2010c).[26]

The creation of the ESM

Meanwhile, the EU rushed to create a permanent framework for crisis management within the TFEU, which was announced on 9 May 2010.[27] This later became known as the *European Stability Mechanism* (ESM). This decision to create the mechanism had already been taken in October 2010, and in February 2012 the intergovernmental treaty that established it was signed. This fund became effective on 8 October 2012.

2.3 Characteristics of European emergency assistance

Assistance programmes and emergency funds

The European emergency funds have been deployed in eurozone countries as part of the *assistance programmes*. As indicated previously, an *assistance programme* is a set of agreements with a particular member state, based on decisions by the eurozone countries or ECOFIN. This depends on which emergency fund is being called on. The package includes both commitments to provide financial assistance through one or more of the emergency funds as well as the other requirements that the member state must meet in order to receive or continue receiving the assistance. This will be determined by the 'troika' (made up of the European Commission, the IMF and the ECB). An emergency fund is a tool with which, within the framework of an assistance programme, loans can be provided to a member state.
Loans from the *emergency funds* have mainly been disbursed directly into the treasury coffers of recipient countries. This kind of *budgetary assistance* is a form of assistance that is not tied to particular projects, but which is subject to policy requirements. This is meant to ensure that it is appropriate to the priorities of the recipient country.[28]

Table 1 shows which assistance programmes have been set up for EU member states, and which emergency funds the money was disbursed from.

Table 1 **Assistance programmes, emergency funds deployed and IMF assistance for each member state (as of 31-8-2015)**

Country / programme	Duration	Emergency fund used	Parallel IMF support
Greece 1	2010-2012	GLF	Yes
Greece 2	2012-2015	EFSF	Yes
Greece bridge financing	2015	EFSM	No
Greece 3	2015-2018	ESM	Not yet known
Ireland	2011-2014	EFSF, EFSM	Yes
Portugal	2011-2014	EFSF, EFSM	Yes
Spain	2012-2014	ESM	No
Cyprus	2013-2016	ESM	Yes

Schematically, the assistance from the European emergency funds to recipient countries is as follows.

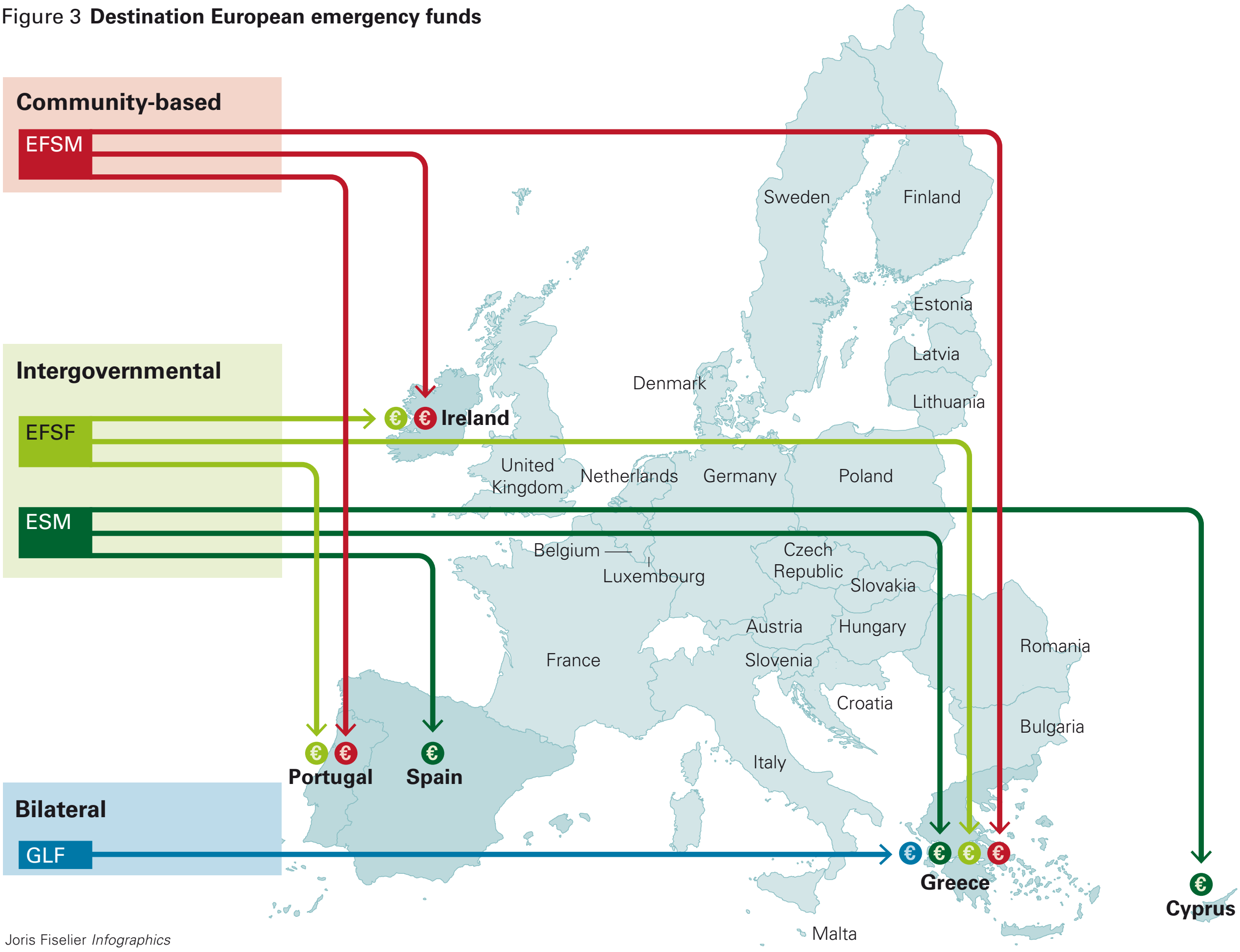
25
The participating member states acted as guarantors on a proportional basis, according of the share of the capital paid into the ECB.

26
At European level, there is no procedure that is comparable to the Art.96 CW procedure in the Netherlands. On the basis of Art.96 the Netherlands Court of Audit has to be consulted when a legal person is established that affects the functions and powers of the Court.

27
A third paragraph article was inserted into Article 136 of the TFEU as follows: The Member States whose currency is the euro may establish a stability mechanism to be activated if indispensable to safeguard the stability of the euro area as a whole. The granting of any required financial assistance under the mechanism will be made subject to strict conditionality."

28
For a more detailed definition and background information, with particular reference to development aid, please see: BuZa, 2012.

Figure 3 **Destination European emergency funds**



Joris Fiselier *Infographics*

Characteristics of the European emergency funds

The European emergency funds have been deployed through seven assistance programmes. These programmes have allocated funds to five eurozone countries. Table 2 summarises the main characteristics of the European emergency funds.

Table 2 **Characteristics of the European emergency funds (as of 31-8-2015)**

	GLF	EFSM	EFSF	ESM
Countries to which the emergency fund has allocated funding	Greece 1	Ireland Portugal Greece (bridge loan)	Greece 2, Ireland Portugal	Spain Cyprus Greece 3
Year established / use	2010 / 2010-2012	2010 / 2011-2015	2010 / 2011-2015	2012 / 2012-2018
Form of assistance	Bilateral	Community-based	Intergovernmental	Intergovernmental
Nature of funds	Temporary	Temporary	Temporary	Permanent
Financial interest	Initially €80 billion, later reduced to €52.9 billion	€60 billion, on the basis of guarantees from the EU budget	€780 billion, on the basis of guarantees from eurozone countries	€80.5 billion in paid-in capital and €624 billion in the form of callable capital from eurozone countries
Maximum lending capacity of emergency fund	Initially €80 billion, later reduced to €52.9 billion	€60 billion	€440 billion, adjusted to €240 billion after July 2013	€500 billion
Committed / spent	€52.9 billion / €52.9 billion	€55.2 billion / €54.0 billion	€187.3 billion / €185.5 billion	€196 billion / €70.0 billion
Legal basis of the emergency fund	• TFEU, Articles 126 and 136 • Intercreditor Agreement between eurozone countries providing bilateral loans • Loan Facility Agreement	• TFEU, Article 122 (2) • Council Regulation Nr. 407/2010 of 11 May 2010 on the establishment of a European Financial Stabilisation Mechanism	• TFEU, in accordance with Article 122 (2) • EFSF Framework Agreement • Articles of Association of the EFSF, established under Luxembourg law	• TFEU, Article 136 (3) • ESM Treaty
Possible beneficiary of emergency fund	Greece	EU countries	eurozone countries	eurozone countries
Creditors	eurozone countries	EU	EFSF (eurozone countries are shareholders and provide guarantees)	ESM (euro countries provide capital and guarantee the availability of further capital)
Decision-making at the start of emergency assistance and funds transferred in tranches	Eurozone countries (on the basis of unanimous vote)	ECOFIN (on the basis of qualified majority vote)	Eurogroup (unanimous vote), EFSF Board of Directors, Eurogroup Working Group	ESM Board of Governors (mutual consent), ESM Board of Directors
Involvement of European Parliament and European Court of Auditors	No	Yes	No	No
Provision for independent external audit	No	European Court of Auditors	No	ESM Board of Auditors
Review of missions carried out while programme is being carried out	European Commission, ECB, IMF (troika)	European Commission, ECB, IMF (troika)	European Commission, ECB, IMF (troika)	European Commission, ECB, IMF (troika), European Banking Authority
Legal basis for post-programme surveillance	VO. 472/2013, Article 14	VO. 472/2013, Article 14	VO. 472/2013, Article 14	ESM Treaty, Articles 13 and VO. 472/2013, Article 14

The following emerges from the summary above:

- Initially, in 2010, a range of emergency funds was created. The first three emergency funds:
  - had a temporary status;
  - were based on a range of forms of assistance and legal foundations;[29]
  - had different potential beneficiaries;

29
See the internet supplement to this report for an explanation of the different legal foundations of the emergency funds. See www.rekenkamer.nl/eu-governance-en

  - were funded by different creditors (EU countries, eurozone countries, intergovernmental basis);
  - had different maximum lending capacities, based on different forms of financing (direct loans, capital guarantees).
- The establishment of the ESM as a permanent emergency fund in 2012 made the situation clearer: the fund is permanent, has a clear legal basis, is only to be used by and for eurozone countries and has an audit committee for independent external auditing.
- The creation of the various emergency funds involved different stakeholders and decision-making mechanisms. The most important decision-makers were the eurozone countries.[30]

Financial interest

Table 2 also shows that the financial interest of the countries contributing to the bailout funds is considerable. The Netherlands, as a member of the eurozone, is the guarantor for many billions of euros via the emergency funds set up by the eurozone countries, and it is also owed billions in loans. Table 3 shows the breakdown of the financial importance of the emergency funds for the eurozone and for the Netherlands.

Table 3 **Breakdown of financial interest in the eurozone emergency funds and the Netherlands (situation as of 31-08-2015, in billions of euros)**

Emergency Fund	Foundation	Form of financing	Total financial interest	Maximum lending capacity	Financial interest of the Netherlands*
EFSM	Community-based (EU-28)	Guarantee EU budget	€60	€60	€2.8 (4.7%)
EFSF	Intergovernmental (eurozone)	Guarantees from eurozone countries	€780**	First €440, later €240***	€49.6 (6.1%)
ESM	Intergovernmental (eurozone)	Capital contributed by eurozone countries	€80.5	€500	€4.6 (5.7%)
		Callable capital from to eurozone countries	€624		€35.4 (5.7%)
GLF	Bilateral	Direct loans from eurozone countries	€52.9	€52.9	€3.2 (6.0%)

* Percentages are taken from Chapter IX Finance and National Debt, state budget 2015.

** The official sources cite €780 billion as the total amount *effectively* guaranteed in relation to the programmes for Greece, Ireland and Portugal. This guarantee could be used to raise €440 billion from the credit rating agencies, on the basis of a AAA credit rating, without the need for contributing any further funds.

*** The maximum lending capacity of the EFSF was initially €440 billion. Because the EFSF has not been able to grant any more new loans since July 2013, this was later capped at €240 billion.

Sources: Section IX, Finances and National Debt, Government budget 2015. Websites of EFSF, ESM, European Commission DG ECFIN

The total maximum lending capacity of all four emergency funds was approximately €850 billion. To give a complete picture of the Netherlands' financial stake, the following amounts should be added to those shown in Table 3:

- €2.4 billion guarantee for 4.7% share of the Balance of Payments Programme;
- €1.8 billion for 2.2% (Dutch share) of emergency assistance deployed by the IMF within the EU.

30
See the internet supplement for charts showing the various decision-making mechanisms. See www.rekenkamer.nl/eu-governance-en

The total amount of Dutch guarantees in the context of the emergency funds (including support for the IMF) is approximately €90 billion. The Netherlands has contributed nearly €8 billion in the form of direct loans to Greece and capital paid into the ESM.

Finally, not included in this total, but certainly significant, is the Dutch share in the monetary support operations of the ECB. With a share of 5.7%, that amounted in total to €45.5 billion at the end of 2014.[31]

31
The ECB is also involved in this, because the assistance from the emergency funds cannot be seen separately from the monetary operations of the ECB. The amount stated here relates to the Eurozone system as a whole. For further explanation, see the section on the ECB in §3.2.

3 Aspects of spending, repayment and effectiveness

3.1 Summary of main findings

Some €440 billion has been provided in emergency assistance in the form of loans, but it is impossible to know in detail how this money has been spent. After an assistance programme has been completed, the 'post-programme surveillance phase' begins. If, during this phase, doubts arise about financial stability and the capacity of recipient countries to repay the funds received, the only possible course of action is to issue recommendations for corrective actions to the countries concerned. The creditor states and agencies have already rescheduled the deadlines for repayment. They have also reduced the premium on the interest rate on the outstanding debt. At the European level, the independent evaluation function with respect to the assistance programmes has not been ensured, meaning that no independent evaluations have yet been carried out.

From 2010 to 2015, more than €440 billion was lent in emergency assistance to euro countries. The loans were granted from the European emergency funds and the IMF. Greece received the most assistance: about €260 billion. Because the ECB decided to start buying up (government) bonds from 2009 onwards, some countries have required less than they would otherwise, or have even avoided the need for emergency assistance altogether (§ 3.2).

It is not known exactly how the money transferred from the emergency funds by the countries studied - Greece and Ireland - was spent. The reports of the 'troika' (made up of the European Commission, the IMF and the ECB), and other sources in the public domain, do not provide clarity on this. What is clear is that in both countries, a proportion of the money went to the banking sector. The absence of detailed information is because the assistance programmes do not specify that the spending of the money from the emergency funds should be traceable. Furthermore, most of the money was for budgetary assistance, and the budgetary systems of the countries concerned did not provide for the traceability of funding (§ 3.3).

The financial assistance granted to the countries covered in this audit - Greece, Ireland and Spain - is to be repaid to the EU and the eurozone countries between 2020 and 2059. The IMF is currently being repaid. Repayment deadlines have been extended in most cases since the start of assistance from the emergency funds. The premium on the interest rate has also been lowered for the countries receiving the loans (§ 3.4).

When preparing the European assistance programmes, no agreements were made about how, after the assistance programmes were concluded, the timely and comprehensive repayment of the financial assistance would be monitored. Over the years, however, a programme of 'post-programme surveillance' has been set up to oversee the financial stability of the member states involved. But this oversight does not include any additional policy requirements in relation to the financial policy of these countries. The only form of action that can be taken is to issue *recommendations* for corrective action. Member states that have received emergency assistance can be taken to court for failure to comply with their obligations. The exact nature of this possibility varies between the funds (§ 3.5).

At the European level, no independent evaluation function with respect to the programmes has been established. No independent evaluations of the European assistance programmes have so far been carried out. The IMF has carried out its own evaluations of the assistance programmes. A specific evaluation of the effects of using the European emergency funds is difficult because these effects are difficult to distinguish from the credit assistance activities of the ECB (§ 3.6).

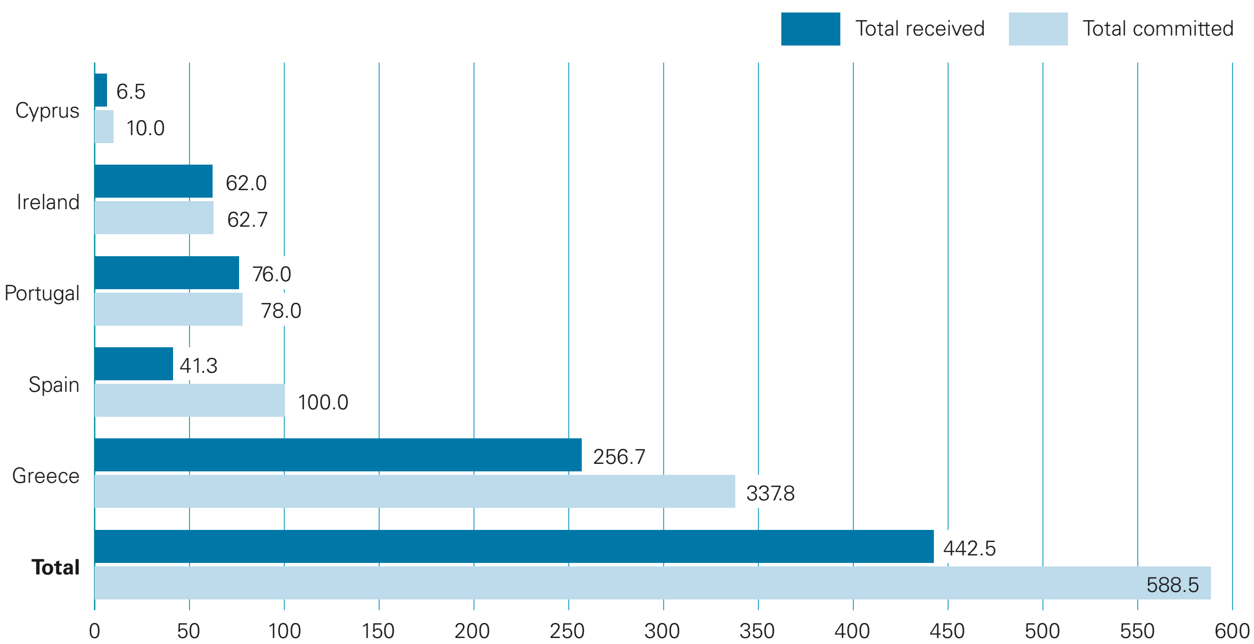
3.2 Commitments and payments to euro countries

The use of European emergency funds

Financial assistance was provided to Greece, Ireland, Portugal, Spain and Cyprus from the temporary emergency funds (GLF, EFSM, and EFSF) and the permanent ESM emergency fund. These loans were provided within the framework of the agreed assistance programmes. At the start of the intervention, the maximum assistance that each country would be awarded was agreed to. Since then, regular instalments ('tranches') have been distributed, but only after the troika has ascertained whether the countries have met the policy requirements agreed in advance.

Figure 4 shows how much emergency assistance *in total* (including from the IMF) has been committed and paid to the programme countries that required financial assistance, up to 31 August 2015.

Figure 4 **Total funds committed and funds disbursed in emergency assistance to EU countries**
Figures dating from 31 August 2015, in billions of euro



Source: Netherlands Court of Audit, web dossier on EU Governance

It shows that a total of almost €600 billion has been committed to Greece, Ireland, Portugal, Spain and Cyprus from the European emergency funds and the IMF. Of this, over €440 billion has been paid out in the form of loans (as of 31 August 2015). Greece has received 58% of this amount.

Table 4 shows in more detail which of these countries has received assistance from which European emergency fund and the IMF, respectively.

Table 4 **Emergency assistance loaned (as of 31 August 2015, in billions of euros)**

Recipient	EFSF	EFSM	ESM	GLF	IMF	Total
Cyprus			5.8		0.7	6.5
Greece	141.8	7.2	23.0	52.9	31.8	256.7
Ireland	17.7	22.5			21.8	62.0
Portugal	26.0	24.3			25.7	76.0
Spain			41.3			41.3
Total	**185.5**	**54.0**	**70.1**	**52.9**	**80.0**	**442.5**

Source: Web dossier on EU Governance, Netherlands Court of Audit

We can see that the EFSF with 42% of the total, is the largest source of emergency financial assistance for these countries, followed by the IMF, the ESM, the EFSM and the GLF. The data also reveal that 85% of all European assistance has been granted outside the auspices of the European Union, such as through the EFSF and ESM, which were set up by the eurozone countries, and in the form of bilateral assistance from the GLF.
In addition to the payments made from the European emergency funds, the IMF has lent €80 billion. Only the Spanish programme did not involve any support from the IMF.

Purchase of government bonds by the ECB

Since mid-2009, the ECB has been purchasing covered bonds[32] from banks in euro countries in financial difficulties.[33] By doing this, the ECB has ensured that states have regularly been given a helping hand on the capital markets, particularly in regard to the sustainability of their budget deficit and sovereign debt position. This has meant that these countries have had to ask for less financial assistance from the emergency funds, and in some cases none at all (see Buiter & Rahbari, 2010; Szczerbowicz, 2012; Jacobs, 2012). The use of emergency funds cannot therefore be separated from the purchasing operations of the ECB.
In March 2015, the ECB's asset-purchase programme was expanded to the purchase of bonds issued by governments and European agencies and institutions.[34] The plan is to buy a total of €1,140 billion in bonds and securities.

The ECB has also deployed other support instruments such as refinancing operations for the longer term. It is not known exactly how much money has been used by the ECB, neither with respect to each country nor with respect to each instrument. Based on information in the public domain, it is possible to state that the programmes for the purchase of covered bonds were used in relation to Greece, Portugal and Ireland. The ECB has, as part of its temporary programme for securities markets, also purchased bonds from Greece, Portugal, Ireland, Italy and Spain on the secondary markets.[35] As for the longer-term refinancing operations, these are known to have been deployed in Spain, Italy, Greece, Portugal and Ireland.

The maximum loss that the ECB could suffer through the use of special instruments if the (banks of the) recipient countries were to become insolvent was, at the height of the crisis in 2012, almost €1,600 billion (Ministry of Finance, 2012c). At the end of 2014, according to the Ministry of Finance this figure was around €925 billion (Ministry of Finance, 2014b). The risk to which the ECB is exposed has been reduced partly due to repayments made by various countries, partly due to the conclusion of the asset-purchase programme and by the revaluation of the bonds purchased.

32
'Covered bonds' are bonds that carry some form of collateral guarantee in order to be eligible for use as collateral for Eurosystem credit operations.

33
Because of the extraordinary circumstances, the ECB started in May 2010 with a new temporary programme for the securities markets. This is the 'Securities Markets Programme' (SMP).

34
In a speech on 22 January 2015, Mario Draghi, the President of the ECB, remarked: "In March 2015, the Eurosystem will begin its purchasing programme on the secondary market for euro-denominated investment grade securities issued by governments, agencies and European institutions in the euro area. These purchases (...) will be based on the shares of the national central banks of the Eurosystem in the ECB's capital distribution key."

35
On 21 February 2013, the ECB published financial details regarding this, on a one-off basis: Portugal €22.8 billion; Ireland €14.2 billion; Italy €102.8 billion; Greece €33.9 billion; Spain €44.3 billion (ECB, 2013).

Any losses suffered by the ECB on its monetary operations are allocated within the Eurosystem in proportion to the ECB capital key. The Dutch share in this key is set at 5.7%. The share of the Dutch government in the monetary assistance operations through the Eurosystem related to the European debt crisis - and thus the risk that the Netherlands is liable for - amounted to €45.5 billion at the end of 2014.[36]

The ECB also has an impact on the financial markets in other ways. For example, the *announcement* of the bond-purchase programme in August 2012 (OMT) had a significant effect on the yields of government bonds of the euro countries. It showed that the ECB was determined to do all it can to saveguard the unity of the euro.

Furthermore, it is important that national central banks are able to make funds available to financial institutions with liquidity problems through the European System of Central Banks and the European Central Bank's (ESCB) 'Emergency Liquidity Assistance' (ELA) fund. ELA assistance is temporary and adequate collateral must be available. Data on the ELA, such as its deployment and financial scope, the interest rates applied, maturity and the collateral deployed are not publicly available.[37] If ELA transactions exceed €500 million, the national central banks concerned are required to notify the ECB of this as promptly as possible. The ECB has the right to prohibit any further expansion in the ELA.

Finally, the Target2 system is also relevant in this context. Target2 is an interbank payment system for processing cross-border payments within the EU. Target2 balances represent the debts of the central banks across the eurozone vis-à-vis the ECB.
If a country with a negative Target2 balance would decide to leave the Eurosystem, then the central bank of that country would have a debt vis-à-vis the ECB. If that central bank would be unable to pay off its Target2 obligation, then an agreement would have to be made with that country on how to deal with this debt (possibly in the Club of Paris). In an extreme case, the Eurosystem as a whole could suffer a loss, which would then have to be borne within the ESCB in proportion to the ECB capital key.

3.3 Insight into the spending of the emergency assistance

The assistance programmes that have been agreed with the various eurozone countries include terms and conditions that these countries are required to meet in order to receive each 'tranche' of the money agreed. No provisions are included on whether or how the recipient states should demonstrate how the money has been spent or the possibilities for verifying this independently. However, this is certainly relevant from the point of view of transparency and understanding the risks involved. On the basis of reports from the troika and other public sources, we have investigated whether it is possible to trace which share of the money from the emergency funds (and the IMF) has been spent on which purpose. Our research has covered Greece, Ireland and Spain. Table 5 shows a summary.

36
Source: DNB (2015), table 5.3 on p.128. We note that the minister of Finance sent on 23 September 2014 an overview of monetary operations of the ECB related to the crisis to parliament, dated 18 September 2014 (Ministry of Finance, 2014b). In that overview the risk that the Netherlands is liable for amounted to €52.9 billion. This figure was included in our draft report, but is in this publication replaced by information from DNB. At the end of 2014 DNB came to the figure of €45.5 billion. We remark that the information of the minister was aimed at the eurosystem as a whole, while the information from DNB refers to Italy, Spain, France, Greece, the Netherland and 'others'. DNB does not explain what is included in the category 'others'.

37
In his opening statement at the hearing before the Committee on Economic and Monetary Affairs of the European Parliament on 15 June, the president of the ECB announced that 'the governing council agreed to a €2.3 billion increase to the ELA ceiling for Greece, taking this to €83 billion.' In July 2015, this number stood at approximately €91 billion, according to media sources.

Table 5 **Expenditure of money from emergency funds and the IMF in Greece, Ireland and Spain (in billions of euros)**

Country	European emergency funds destined for	Financing requirements (€ billion)	Amount actually spent (€ billion)	Traceable to final destination
Greece 1st programme 2010-20114*	Financing shortfall	around 109	around 32	No
	Cash buffer and buffer for bank recapitalisation		around 17	No
	Debt repayment instalment		around 69	No
Greece 2nd programme 2012-2014	Financing shortfall	18.9	Unknown	No
	Cash requirement	13.0	Unknown	No
	Debt repayment instalment	50.8	Unknown	No
	Cost PSI** excluding bank recapitalisation	45.8	Unknown	No
	Bank recapitalisation	48.2	18.0	Yes
Ireland 2011-2013	Financing shortfall	46.1	Unknown	No
	Debt repayment instalment	35.3	Unknown	No
	Restructuring and bank recapitalisation	18.1	18.1	Yes
Spain	Bank recapitalisation	41.3	41.3	Yes

* We have reconstructed the figures for the 'amounts actually spent' on the basis of a chart in a report by the European Commission (2011, p.43), and these figures should only be regarded as a rough estimate. Exact figures are not available.

** PSI: Private Sector Involvement.

Sources: data from the European Commission (about Greece and Ireland) and information from the ESM (about Spain)[38]

Table 5 shows that the public reports of the troika do not show which emergency assistance has been used in practice. The categories of spending that the money *should have been* used for are known in general terms - such as 'to bridge the financing shortfall' or 'debt repayments'. But whether the money was actually used for these purposes is not clear, in retrospect.

Only in the specific case of the recapitalisation of banks in Greece, Ireland and Spain the cash flows can be followed all the way to the final destination - that is, to the banks concerned.

Does anybody know where the billions are?

On 20 February 2015, NRC.next published the piece 'Does anyone know where those billions are?' The website of the Greek think tank Macropolis (www.macropolis.gr) has an analysis by the Greek economist Yiannis Mouzakis. He has calculated, on the basis of data from the European Commission, the IMF, the Greek Ministry of Finance and ELSTAT (Greek statistical office) that the assistance from the first and second Greek programmes was allocated as follows: €81 billion to finance government debt, approximately €48 billion to support Greek banks, €41 billion in debt interest, around €35 billion for restructuring Greek debt to the financial sector, and €27 billion on spending in the public sector.

Appendix 2 includes fact sheets on Greece, Ireland and Spain. These show the degree to which spending can be traced for each of these countries.

Table 5 also shows that for the first Greek lending programme, it is possible to trace the use to which the GLF loans were deployed, to a certain extent. But even then, this money cannot be traced to its final destination. That is due to (a) the fact that the money from the GLF, EFSM and EFSF emergency funds was transferred to the recipient countries as general budgetary assistance and (b) the budget system that is used in the

38 Occasional Papers ECFIN, Nos 61, 68, 72, 77, 87 (about the first Greek programme); Nos 94, 123, 148, 192 (on the second Greek programme); 76, 78, 84, 167 (about the Irish programme).

respective countries.[39] The money that has come from emergency funds was therefore used within the overall budgetary policy of the countries concerned.

Finally, we note that the financial information in the reports from the troika has not been verified by any independent external party. Bodies such as the European Court of Auditors and independent accountants have not been asked or mandated to give an opinion about this. There is therefore no certainty regarding the accuracy of the data, which also forms the basis for ex ante analysis of the debt sustainability of countries receiving emergency assistance.

3.4 Interest payments and debt repayments

The emergency assistance received by eurozone countries since 2010 consists of loans. The recipient countries are required to repay the assistance received to the funds involved or, in the case of the GLF, to the creditor states. The premium on the interest rates and repayment terms for the emergency assistance granted may be adjusted in accordance with the budgetary circumstances of the recipient countries and/or to spread the repayments over a longer period of time. For any change in the terms of loan, a decision by the Board of Governors of the ESM, the Council of the EU (EFSM) or the Eurogroup (EFSF and GLF) is required. Such decisions are political in nature and in some member states, national parliamentary procedures will also be needed.[40] Table 6 summarises the arrangements for the repayment of the emergency assistance, and the adjustments which have since been decided on since then.

39
This means that loans from the emergency funds have generally been transferred directly into the treasury coffers of recipient countries. This assistance was not linked to any particular projects, other than the general parameters of the programme of assistance. The recipient country may decide for itself what to use this money for.

40
With respect to the Netherlands' House of Representatives, it has been agreed that the House will always be informed as promptly as possible of any change in the programme and in the Dutch position.

Table 6 **Repayment terms for each emergency fund**

Fund	Original Conditions of loan	Current conditions	First repayment expected* (in € billion)	Final repayment expected (in € billion)
GLF	Variable rate with premium of 2%, rising to 3% after three years. Average duration of four years.	Variable interest rate plus a premium of 0.5%, average maturity of thirty years with grace period of ten years	Greece 2020: € 0.18	Greece 2041: € 0.07
EFSM	Variable interest rate, interest premium of almost 3% for Ireland and at least 2% for Portugal.	Variable interest rate, without interest premium or extra costs (managed by EC, management costs paid from EC administrative budget). Extension of maturities agreed, to be specified at the end of the period if it appears that more time for repayment is necessary.	Ireland 2016: € 5.0 Portugal 2016: € 4.8	Ireland 2042: € 1.5 Portugal 2042: € 1.5
EFSF	Variable rate with premium rising after three years.	Premiums and costs have been reduced several times, and the maturity of the loans has also been extended. Variable interest rate, without interest premium Additional costs have been reduced to the management costs of EFSF. Average maturity extended by 7 years to 20.8 years for Ireland and Portugal, and by 15 years to 32.4 for Greece. Greece only needs to start paying interest after 2022.	Greece 2023: € 0.6 Ireland 2029: € 2.0 Portugal 2025: € 1.0	Greece 2054: € 6.3 Ireland 2042: € 1.6 Portugal 2040: € 1.1
ESM	Price Structure is determined by the pricing policy of ESM, which is re-evaluated periodically. Variable interest rate with premium of between 0.05% and 0.35%, depending on the instrument chosen, a once-only service fee of 0.5% of the amount lent per tranche is deducted from the amount paid and an annual service fee of 0.05%.	Unchanged.	Spain 2021: € 6.31 Cyprus 2027: € 1.0 Greece 2017: € 3.0	Spain 2027: € 6.31 Cyprus 2031: € 0.6 Greece 2059:€ 0.6

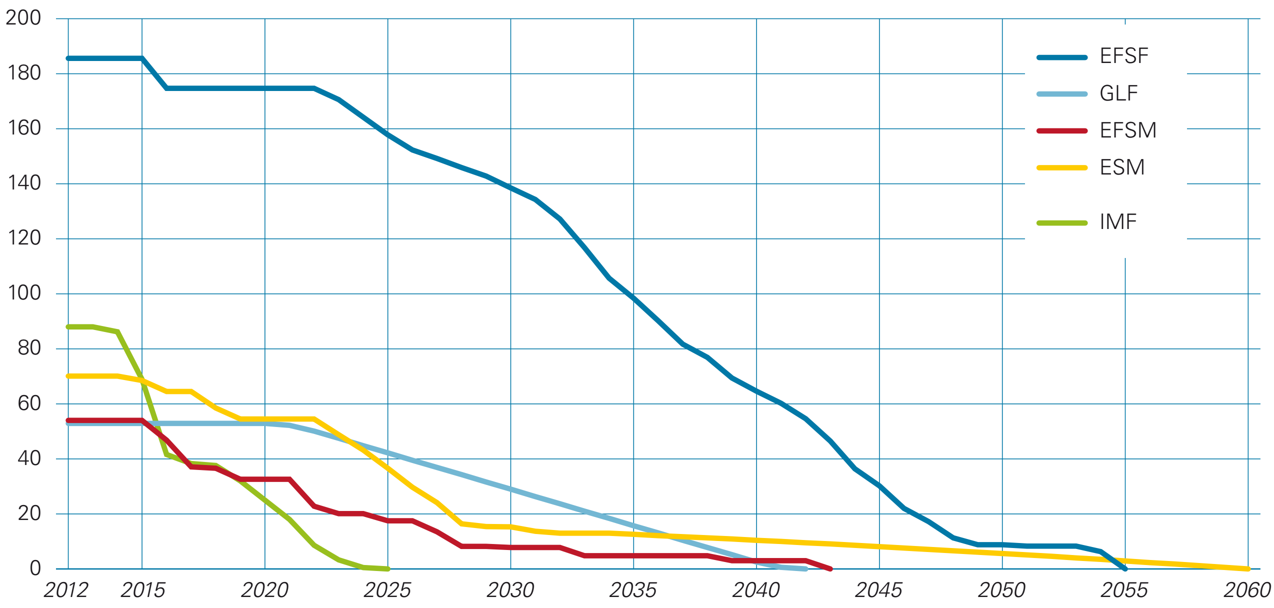
* In July 2014, Spain repaid €1.3 billion early and also repaid €0.31 billion in unused emergency assistance to the ESM. On 27-2-2015, Greece repaid € 10.9 billion to the EFSF. Please see: http://www.efsf.europa.eu/about/operations/index.htm.

The maturity of the loans granted through the GLF has been extended several times to help Greece to meet its repayment obligations. This means that the debt will remain outstanding for longer. If the GLF loans were repaid, this would have a positive impact on the Netherlands' own budgetary situation because it could then afford to repay part of its own public sector debt. The reduction in the interest premium on the GLF loan that was granted has had the opposite effect on the Netherlands' budgetary situation, however, because receipts from interest are now lower.[41]

The EFSM and EFSF emergency funds are based on guarantees from respectively the EU budget and the euro countries. When the loan is repaid, the portion of the guarantee that may be called on in the event of problems, and the risk to countries that act as guarantor is therefore also reduced. The extension of the maturity of the loans means that the guarantees given by other (euro) countries will need to remain in place for longer. The additional costs associated with loans made from these funds have now been reduced to the management costs of the funds and there is no longer any interest premium for the creditor countries. If the interest rate is reduced further, the funds may even run at a loss. Participating countries will need to cover that loss.

41
Information on income and expenses related to interest are included in the national budget retrospectively and in general terms. For example, please see: Section IX Finance and National Debt, Budget 2015, p.72.

Figure 5 **Summary of outstanding loans from each fund**



Sources: http://ec.europa.eu/economy_finance/eu (on the EFSM), http://www.esm.europa.eu/ (on the ESM), http://www.efsf.europa.eu (over de EFSF), http://www.imf.org (on the IMF) and data from the Ministry of Finance (on the GLF).

The conditions of the ESM remain unchanged for existing programmes. The permanent ESM emergency fund consists partly of paid-in capital and partly of callable capital. The capital will only be used if a recipient country cannot meet its repayment obligations. Currently, the capital lent does not exceed the capital paid in. In the event of problems, no claim would therefore need to be made on the guarantees.

For decades, the IMF has had a standard practice for the conditions on which loans were granted, in terms of both costs and maturity.[42]

Figure 5 gives an overall picture of the outstanding amounts from the various emergency funds, and how these are due to be repaid according to the current timetable. We can see in Figure 5 that the support provided by the IMF is to be repaid first. By 2024, the IMF loans will have been repaid in full. Repayment has yet to begin for the European funds. The loans provided through the ESM will remain open for the longest, i.e. until 2059.

Appendix 2 contains fact sheets on Greece, Ireland and Spain. These include the repayment deadlines for each country.

We make the following remark about the information available in relation to the repayment of emergency assistance:[43]

- Information received from the European Commission and the fund administrators only includes a rough outline of interest rates and the schedule for repayment of the loans from the European emergency funds. The details, such as the repayment schedule and expenses accrued (interest, management fees, fees), are not in the public domain.

42
The IMF has different kinds of program instruments with conditions for the loans that are being disbursed, such as the 'stand-by arrangement' (SBA) or extended fund facility (EFF). The different program instruments include the terms for the repayment of the loans, which can differ between instruments.

43
The agreements made with member states on interest and repayment can be found on the websites of the EFSF, the ESM, the European Commission and the IMF. The websites of these institutions also indicate the maturity of the loans, the repayments (including premature payments) already made or when these are scheduled.

- The IMF places detailed information such as full repayment schedules and costs payable for the loans in the public domain; this is a more transparent method of working than that of the European Commission and the fund administrators.
- The Netherlands House of Representatives is kept regularly informed about the amounts outstanding from the emergency funds and the Dutch shares in these. The Minister of Finance also updates the House of Representatives about the programme agreements and the progress of the programmes through general consultative meetings, letters to parliament and public reports on ECOFIN / Eurogroup meetings.

3.5 Post-programme surveillance

For the duration of the assistance programmes and the use of emergency funds, detailed monitoring arrangements are provided for. This involves verification by the troika as to whether the requirements included in the programmes have been met, before the next tranche of emergency assistance is provided. This monitoring process ends when the programme is concluded. The programmes for Ireland, Portugal and Spain have now been concluded.[44]

During the period of emergency assistance, as part of the European Semester other economic and budgetary monitoring processes were suspended or streamlined for the duration of the macroeconomic adjustment programme, including the excessive deficit procedure and the macro-economic imbalances procedure.[45] The reason for this is to ensure the consistency of monitoring and to avoid the duplication of reporting obligations.[46]

Monitoring after the conclusion of the assistance programme

We have investigated which arrangements have been made for monitoring member states *after the end* of the assistance programmes. This monitoring is important in relation to the repayment of the funds received.

We note that no provisions had been made for 'post-programme monitoring' at the time of the launch of the programmes, the first of which began in 2010. Two years later, the 'Early Warning System' was introduced with the creation of the ESM. The aim of this system was to explore the risks involved with repayment and to enable corrective action to be taken. The 'Early Warning System' was initially only intended for the ESM. However, the Eurogroup decided in December 2013 that the system should not only apply to the ESM countries (at that time Cyprus and Spain), but also to the countries that received EFSF assistance (Greece, Ireland, Portugal). The reason for this decision is that the ESM and EFSF had de facto become a single organisation - under the name 'ESM' - which manages both the ESM and the EFSF.

No additional requirements have been imposed on the countries concerned as a result of the implementation of the 'Early Warning System'. As soon as the ESM believes that there is any doubt about whether timely repayment will occur, this will be raised with the European Commission and the ECB in order to arrive at a shared vision regarding the likelihood of repayment and the consequences that this may have. Should risks arise in relation to repayment, the Board of Directors of the ESM or EFSF will be notified.

44
The question now arises of what should be done with the ESM permanent emergency fund - as one of the largest financial institutions in the world - when all the programmes have been concluded. There are various options. Firstly, the ESM could be given 'watchman' status; alternatively, it can be used for the recapitalisation of banks.

45
Since 2011, as part of the European Semester, the preventive aspects of economic governance provided for in the Europe 2020 Strategy, the Stability and Growth Pact, and the Macroeconomic Imbalances Procedure have been subject to review at the EU level every year. The European Commission, ECOFIN and the European Council are responsible for this. Recommendations are formulated for countries where problems are identified. These recommendations may include preventive and corrective elements, which are in part binding, subject to sanctions and enforceable. For more information, see Netherlands Court of Audit, (2014a).

46
See Regulation (EU) 472/2013 of the European Parliament and the Council of 29 April 2015.

In addition to the 'Early Warning System' for the EFSF and ESM, in 2013 the European Commission also introduced its own programme of post-programme surveillance for *all* the European emergency funds and all the member states that have received emergency assistance. The idea behind this is the following (European Parliament and European Council, 2013):

- A member state remains under post-programme surveillance until such time as it has repaid at least 75% to one or more other member state(s), the EFSM, the EFSF or the ESM.
- The European Commission and the ECB will conduct monitoring visits in the member states concerned in order to assess the economic, fiscal and financial situation. The ESM will also participate in visits that relate to aspects of its 'Early Warning System'. Every six months, the European Commission shares its assessment with the European Parliament and the parliament of the member state concerned, and determines whether any corrective action is required.
- The Council of Ministers can, at the suggestion of the European Commission, *advise* the member state that is subject to post-programme surveillance to adopt corrective measures. However, there is no possibility of intervention if the member states chooses not to implement this advice. The options that exist within the European Semester can be used during post-programme surveillance.

Since the spring of 2014, post-programme surveillance has been ongoing in the countries where the assistance programmes have been terminated: Ireland, Portugal and Spain. The reports written after the monitoring visits focus specifically on the question of whether there is any risk that the loans may not be repaid (European Commission, 2014). No major problems have been identified thus far.

Possibilities of legal measures in the event of late repayment

The loan agreements signed with recipient states for the GLF, ESM and EFSF include provisions about what would happen in the event of the late repayment of interest or the principal amount. If a recipient country fails to meet its repayment obligations, or commits fraud, the administrating body or creditor state may demand immediate repayment of the whole loan. The administrating body or creditor state may also do this if the debt exceeds a certain limit. In the event of late repayments, the borrowing country must also pay a penalty interest fee. Furthermore, the borrowing country is required to allow access to all relevant documentation by the administrating body.

The agreements also specify which judicial body has jurisdiction to adjudicate in the event of conflicts. This varies for each emergency fund. For the ESM, this is the EU's Court of Justice, in compliance with international law. For the EFSF, the Luxembourg Court has jurisdiction, subject to English law. And finally for the GLF, the EU's Court of Justice has jurisdiction, subject to English law.

The EFSM Regulation states that the conditions of the loan are to be negotiated between the beneficiary member state and the European Commission prior to the payment of each tranche of funds. The implementation decrees refer to a loan agreement to be agreed by the European Commission. These agreements are not made public. Which court has jurisdiction in the event of disputes is not specified. However, since this concerns a Regulation, this is presumably the Court of Justice of the EU.

3.6 Monitoring the effectiveness of emergency assistance

A central question about emergency assistance remains how effective this is. Were the member states that were experiencing financial difficulties 'saved' effectively by the emergency funds and the accompanying assistance programmes? And have the affected countries carried out the reforms required within the framework of the assistance programmes? The answers to these questions are important in order to minimise the risk of recurrence and to maximise the potential for repayment.

It is not yet possible to make a reasoned statement about the effectiveness of the emergency assistance that has been granted in recent years. There are various reasons for this.

First, no European-level assessment of the effects of the ongoing emergency assistance has been carried out.[47] No evaluation of the completed assistance programmes (Ireland, Portugal, Spain) has been conducted, nor any evaluation of the system of emergency funds from which no new assistance is now being granted (GLF, EFSM, EFSF). At the European level, the example of the IMF - which has conducted and published ex-post evaluations of both the first Greek programme and the Irish programme - has not yet been followed.

The IMF's evaluation of the first Greek assistance programme

In early June 2013, the IMF published its evaluation report on the first programme of loans to Greece (IMF, 2013). The evaluation shows that the IMF had considerable doubts about the sustainability of the debt, but considered the Greek debt sustainable. In effect, the uncertainties and downside risks associated with this were considered secondary to the rescue of Greece and the euro. Because Greece is part of a monetary union, it was not only the debt sustainability of Greece that was considered, but that of the eurozone as a whole.

The IMF describes how the successful implementation of the programme was expected to lead to the re-entry of Greece into the financial markets; furthermore it was expected that the programme would be supported at the highest political levels, both in Greece and in the EU. The IMF concludes that in practice, this expectation proved overly optimistic and that it is debatable whether the IMF criteria were met throughout the duration of the programme. Furthermore, the IMF concludes that the capacity of the Greek authorities to implement reforms, in particular, was overestimated. This latter point has also been made by the European Parliament (European Parliament, 2014). The European Parliament also argues that the calculations of the troika when making its economic forecasts were erroneous, since the impact of stringent measures had been underestimated - the scale of unemployment in Greece, for example. Furthermore, the Greek authorities provided the troika with incorrect figures, which also led to incorrect calculations.

The IMF's assessment of the Irish assistance programme

At the end of January 2015, the IMF published its evaluation of the Irish programme (IMF, 2015). This describes how the IMF arrived at its decision to provide Ireland with an Extended Fund Facility (EFF) in December 2010. The evaluation includes the conclusion that even though the implementation of the programme has been strong, substantial commitment continues to be necessary during the post-programme period in order to address remaining vulnerabilities, particularly in budgetary matters and with regard to the banking sector.[48]

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After this report was sent to the minister of Finance for a government response, the European Commission published and evaluation for Ireland. See http://ec.europa.eu/economy_finance/publications/eeip/ip004_en.htm.

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However, during the period of post-programme surveillance the troika only has the power to make recommendations in the event of failure to implement the plans as intended, and this means that some risk remains.

One explanation for the lack of European evaluations of the effects of the emergency assistance provided is the manner in which the evaluation function is assigned to the main authorities involved: the European Commission, the ECB and the ESM. Within the European Commission, the Secretariat-General is responsible for conducting or commissioning any such evaluation. No evaluation is planned for the use of emergency funds in 2015 or thereafter. The ESM and the ECB do not have an organisational unit that deals with independent evaluations.[49]

Since 2001, the IMF has assigned its evaluation activities to its Independent Evaluation Office (IEO). The IEO - which consists of a Director and eleven staff members - is fully independent of the management of the IMF. The office can only carry out its evaluations after the conclusion of the IMF's programmes on an ex-post basis.[50] In addition to this, the policy departments of the IMF can also establish their own ex-post evaluations of the assistance provided to recipient countries.

A second factor that complicates any evaluation of the effectiveness of the emergency funds is the impact of the activities of amongst others the ECB. The ECB's proactive unconventional monetary policy efforts during the crisis that unfolded after 2009 - namely the purchasing of covered (government)bonds and securities - helped to alleviate the budgetary difficulties and sovereign debt positions of a number of eurozone countries, which therefore required less subsequent additional assistance from the emergency funds, and in some cases none at all.

The role of the ECB is also important at the macro-economic level. Statements made by the ECB appear to have had a major effect on the financial markets. One example is the statement by the President of the ECB at the Global Investment Conference in London on 26 July 2012, where he commented: 'Within our mandate, the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough.' (ECB, 2012). After this comment, the interest rates on the capital markets for programme countries plummeted.

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The ESM does have a Board of Auditors, which could possibly execute any future evaluation.

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The IEO is currently working on a study entitled 'The IMF and the Euro Area Crisis'.

4 Aspects of control and accountability

4.1 Summary of main findings

Since 2010, the Netherlands' House of Representatives has been kept regularly informed about the assistance operations, and the Netherlands' role in them. On some occasions, the information provided could have been more detailed. The decisions of the 'troika' (European Commission, IMF and ECB) and the Eurogroup take place outside normal processes of democratic control and accountability. There is currently no means by which to conduct an independent external audit of the fund for the GLF and the EFSF, which combined have disbursed some €240 billion. Under the EFSM and the ESM, such an audit is possible but this possibility has seldom been used.

The Minister of Finance has kept the House of Representatives well informed about the emergency funds and the assistance programmes for Greece, Ireland and Spain. In our research, we have encountered three cases in which the information for the House of Representatives could have been clearer. This was the case in relation to decision-making early in 2012 concerning the sustainability of Greece's debts. An IMF evaluation showed that by 2020 Greece's sovereign debt could amount to somewhere between 120% and 150% of GDP. However, the upper limit was not reported explicitly to the House of Representatives. The other cases relate to the lack of commitment within the Greek political scene to structural reforms, and the diverging estimates of Spain's capital requirements. Furthermore, the House of Representatives was on occasions presented with a fait accompli due to the speed with which decisions had to be taken (§ 4.2).

Because of the involvement of the troika and the Eurogroup in granting emergency assistance and establishing and monitoring compliance with policy requirements, the provision of information and decision-making on the disbursement of successive tranches and on the conclusion of emergency assistance effectively took place outside the EU's regular mechanisms for democratic control and accountability. The European Parliament did not have the opportunity to subject the decisions taken by the troika or the Eurogroup to effective scrutiny or to hold the relevant authorities to account (§ 4.3).

The extent to which independent external audit of the disbursements of the emergency funds is possible, varies from one fund to another. For the EFSM, there are in theory sufficient opportunities for the European Court of Auditors to conduct audits and report to the European Parliament. To date, however, these opportunities do not appear to have been taken. For the ESM, the option of an independent external audit, which the ESM treaty and the by-laws allow for, has not been used; the available capacity of the ESM Board of Auditors also remains a point of concern. Finally, the GLF and the EFSF provide for no opportunity at all for the independent external monitoring of financial flows. This is also a point of concern, because a net amount of almost €240 billion has been spent from these funds (§ 4.4).

4.2 Provision of information to the House of Representatives

We investigated which information was provided to the House of Representatives concerning the creation of the second assistance programme for Greece, the assistance programme for Ireland and the assistance programme for Spain. We also considered whether this information was consistent with the information that was available to the Minister of Finance at that point in time. To do this, we studied the internal files used by the Ministry of Finance in their preparations for the ECOFIN meetings and Eurogroup meetings, as well as the official preparatory meetings for the ECOFIN sessions.[51][52]

Our audit shows that the House of Representatives was well informed about the creation of the assistance programmes and the emergency funds, and the Dutch shares in these. The Minister of Finance consistently submitted large amounts of information to the House, including corroborating studies from institutions such as the European Commission and the IMF. On some occasions, the House of Representatives was even presented with documents that were still confidential.

At the same time, we have to remark that in 2010 and 2011, the Netherlands' House of Representatives was presented with a fait accompli due to the speed with which decisions were being taken. The Minister of Finance stated explicitly in this regard that the protection of national economic and financial interests and the survival of the euro was at stake during this period. For example, he stated on 3 May 2010:

'The developments concerning Greece have gathered pace this week to a significant extent. The situation has deteriorated rapidly. On the secondary market, the interest payable on Greek government bonds has reached record levels, which has left Greece unable to finance itself independently on the financial markets. This is an untenable situation with the potential for severe disruption to the financial stability of the eurozone as a whole. Dutch financial institutions and the Dutch economy would inevitably be caught up in such instability. The situation has necessitated rapid action. This is not in order to lend a helping hand to Greece, but to prevent the fire from spreading. It is in the interest of the Netherlands that Greece is supported.' (Ministry of Finance 2010b)

In our audit, we have encountered three cases in which the information for the House of Representatives could have been clearer.

Provision of information to the House of Representatives: Example 1

Doubts over commitment to structural reforms within Greek political establishment
In the run-up to the second Greek assistance programme, the Eurogroup demanded that the Greek political parties that formed a transitional government that took office in November 2011 should voice their clear commitment to the structural reforms, which constituted one of the conditions for more assistance from the eurozone countries. All three political parties sent a letter to this effect and the Minister of Finance forwarded these to the House of Representatives. However, the Minister failed to inform the House clearly that one of these parties *did not* support the proposed tax increases, even though this fact was highlighted in an internal Ministry of Finance document. This is an important point because it illustrates that the Greek political establishment was not entirely supportive of the reforms. This provided a potential rallying point for non-compliance with the policy requirements imposed by the eurozone countries.

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The time constraints present during the development of the assistance programmes and emergency funds, which we discussed in Section 2, are also reflected in the documentation from the Ministry of Finance. The information in the dossiers invariably relates to preparations for the subsequent meeting, and contains virtually no internal reporting or analysis of events that have already occurred. Neither can any internal reporting of the Eurogroup be found (with the exception of the 'President's conclusions').

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The official preparatory body for ECOFIN is the Economic and Financial Committee, and the preparatory body for the Eurogroup is known as the Eurogroup Working Group.

Provision of information to the House of Representatives: Example 2

IMF's negative view of debt sustainability in Greece

The Netherlands only wished to approve the second assistance programme for Greece if the country's sovereign debt would not become 'unsustainable'. The target for the sustainability of Greek debt was specified as 120% of Greek GDP in 2020. A debt sustainability analysis by the IMF in 2012 from the files of the Ministry of Finance shows that Greece's sovereign debt may reach 117% of Greek GDP. However, the IMF also added that internal devaluation or a deeper recession than anticipated could give rise to sovereign debt of around 150% of Greek GDP in 2020.

In February 2012, the Minister of Finance told the House that Greek sovereign debt would amount to 128.6% of Greek GDP in 2020 (Ministry of Finance, 2012a). In March 2012, the Minister addressed the House again on this issue and indicated that the IMF had assessed Greek sovereign debt as sustainable: i.e. 120% of Greek GDP (Ministry of Finance, 2012b). The doubts expressed internally within the Ministry over the question of whether the goal of Greek sovereign debt at 120% of GDP in 2020 would indeed constitute a sustainable level was not, therefore, communicated in detail.

The IMF's report on the sustainability of Greek sovereign debt was, it should be added, sent to the House of Representatives as a background document, but the minister did not draw attention to the reservations of the IMF on the possibility of a much more negative scenario.

Provision of information to the House of Representatives: Example 3

Divergent estimates on Spain's capital requirements

On 9 June 2012, the Eurogroup stated that 'up to €100 billion' was needed for the recapitalisation of Spanish banks. The exact amount required was not known at that time.

On 30 May 2012, the stress tests designed by the IMF showed that between €37 and €45 billion would be needed (IMF, 2012a). The market estimated the scale of Spain's capital requirement at €60 to €90 billion. The Eurogroup wanted to reassure the markets and depositors, and therefore advocated a wide margin of error.

On 21 June 2012, new stress tests were published showing that the capital requirement of Spanish banks was in range of €16 to €62 billion (IMF, 2012b). There was therefore considerable variation in the estimates made.

The Netherlands took the opinion that the amount which the Eurogroup would put forward on 9 June 2012 had to be credible in the eyes of the markets. They therefore wanted to set the upper limit for assistance above the maximum level estimated by the markets. Adding a safety margin of €10 billion, this produced a sum of €100 billion.

In September 2012, it was announced that the capital requirements of Spanish banks would be less than €60 billion (Minesterio de Economica y Competetividad, 2012). It later became clear that much less still would be required.

The widely divergent estimates concerning the funds needed by Spanish banks had an effect on the information provided to the Netherlands' House of Representatives.

The Minister of Finance initially invited the House to consent to a programme of up to €100 billion. The built-in safety margin of approximately €10 billion was not specified as such. Only later it became clear to the House how much money was actually needed by Spanish banks.

4.3 Democratic control on and accountability of the troika and the Eurogroup

Troika

The European Commission, the ECB and the IMF all play an important role in implementing the European emergency assistance programmes. After an assistance programme has been agreed, this troika is responsible for verifying at regular intervals whether and to what extent the conditions associated with the programme (such as reforms, cuts) have been met in the recipient countries. If this is the case, the troika will consent to the disbursement of successive tranches of the financial assistance that has been promised to the member state concerned. The activities and reports of the troika are therefore important in order to decide on the progress that countries have made, and to be able to conclude whether during (the implementation of) the programme so many problems have occurred that it has to be replaced by a new programme - as has happened in the case of Greece.

The reports of the troika are made public, after a certain amount of time has elapsed. Decision-making within the troika - for example, concerning whether a member state has not complied with the conditions associated with the assistance programme - does not take place within the EU's regular mechanisms of democratic control and accountability. The troika is not required to answer to any parliamentary body - such as the European Parliament.

For example, in 2011 the European Parliament was provided with information by the European Commission regarding the nature of the assistance programmes and the relevant Council decisions, but was not given any say on these. This represents an anomalous situation, because the EFSM - which has been used for Ireland and Portugal - operates on the basis of a guarantee from the EU budget. The European Parliament is the principal decision-maker when it comes to matters relating to the EU budget. Similarly, the European Parliament is not involved in decision-making on the assistance programmes that involve the deployment of the EFSF and the ESM.

On 13 March 2014, the European Parliament approved two of its own reports on the role of the troika, which address these issues (European Parliament 2014a; 2014b). The report recognises that the challenges faced by the troika were significant in scale, but also states that the members of the troika do not have equal responsibilities, resulting in a lack of appropriate monitoring and accountability.

The troika and Greece

The case of Greece has shown that the forecasts made by the troika at the start of the first programme were far from accurate (IMF, 2013):

- the economic downturn was forecast at 5.5% of Greek GDP but actually totalled 17% of Greek GDP in 2012;
- sovereign debt did not peak at approximately 155% of Greek GDP in 2013, but at approximately 170% of Greek GDP;
- the extent of privatisation has lagged far behind the forecasts.

This was partly due to the incorrect figures provided by Greece.
In studies by the European Parliament, Greece is referred to as an example of a country where there was disagreement within the troika on how to tackle the euro crisis. According to the European Parliament, the IMF was the only member of the troika that believed that it would be better if the austerity plan for Greece was moderated by writing off some of its sovereign debt (European Parliament in 2014a; 2014b).

The European Parliament also notes that some conflict of roles may have occurred, because the European Commission both represents the member states and is an EU institution. The potential for conflict arises from the European Commission's role within the troika and its responsibilities as the guardian of the EU treaties. The ECB also has two roles: that of a creditor for recipient countries and as technical adviser

within the troika. Again, this may lead to conflicts of interest, according to the European Parliament.
Finally, the European Parliament notes that national parliaments are often excluded from discussions. On the occasions when they have been consulted, they were often presented with a choice between accepting an 'assistance programme' that had already been negotiated or the bankruptcy of a country, according to the European Parliament.

In the Netherlands, the House of Representatives agreed to the conditions associated with the assistance programmes. On 15 December 2014, the Minister of Finance sent an 'information protocol' to the House of Representatives (Finance, 2014a). This contained a proposal on how to guarantee that the House receives information in the event that crisis measures become necessary in the eurozone through the ESM.

More generally, the national parliaments of the eurozone countries could in principle use their parliamentary rights to ensure public accountability over the national contributions made to the European emergency funds and the measures taken regarding these emergency funds. The national parliaments of recipient countries can also verify how the funds are being used there.

Eurogroup

In our report entitled *European economic governance*, we noted that many rules for budgetary monitoring and macro-economic supervision only apply within the eurozone (Netherlands Court of Audit, 2014a). The same applies to the emergency funds. Only the eurozone countries are party to decisions concerning the emergency funds in the Council of Ministers, i.e. the eurozone configuration of the ECOFIN council. It is the eurozone configuration of ECOFIN that takes decisions - on the basis of unanimity - on the start and continuation of emergency assistance, after receiving advice from the troika.[53] The Eurogroup has the same members as the eurozone configuration of ECOFIN, but is an informal body.[54] This leads to a lack of transparency in the mechanisms for decision-making.

The system of 'checks and balances' that is in place for decision-making at the EU28 level, which is designed to ensure proper democratic control and accountability with regard to the decisions taken, is absent when deciding on the majority of the emergency funds.
When taking decisions at EU28 level, the European Parliament has an important role in supervising the implementation of the rules, and the European Court of Auditors can also conduct independent audits. The basic principle is that the European Parliament scrutinises the actions of the European Commission, and the Commission is accountable to the Parliament. The European Parliament is therefore entitled to hold inquiries and may file a motion of censure.

Such thorough provisions for democratic control and accountability do not apply to the Eurogroup and its president. The Eurogroup meets informally and the president of the Eurogroup is not, in formal terms, accountable to any other institution, parliament or otherwise. Aside from the options offered by the 'economic dialogue' with the European Parliament - which in our opinion provide no proper channels for democratic accountability because no 'accountability' exists - there are no flows of information that could facilitate the process of holding the Eurogroup accountable.

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The eurozone configuration of ECOFIN remains a formal configuration of the Council. The representatives of the non-eurozone countries are formally part of ECOFIN and are present when votes are taken - even though they have no voting rights and no formal influence on the decision-making process. When decisions are taken regarding assistance from the community-based EFSM, all ECOFIN members are entitled to participate.

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See article 137 of the TFEU, Protocol 14.

This construction is an increasing cause for concern since the Eurogroup now plays a very influential role in most of the European emergency funds. These now involve many hundreds of billions of euros which have been used to provide direct loans or as guarantees, money which belongs to the inhabitants of eurozone countries.

4.4 Independent external auditing of the disbursement of emergency funds

Independent external auditing of the spending of emergency funds concerns the question of whether the money derived from these loans has been spent legitimately and whether it has helped to achieve the goals for which the emergency funds were deployed. The various emergency funds provide for different arrangements in this regard. Whether and to what extent such a system of controls is in place relates to the nature of the loans granted by the emergency funds (community-based, inter-governmental or bilateral). Table 7 shows how auditing takes place for the various emergency funds.

Table 7 **Auditing facilities for emergency funds at the European level**

Fund		**Auditing of management and spending**			
		Internal		**External**	
		Internal controls	Internal auditing	Public	Private
Bilateral	GLF	None	None	None	n/a
Community-based	EFSM	European Commission	European Commission	European Court of Auditors	n/a
Intergovernmental	EFSF	√	√	Unsatisfactory	√ External Auditor
	ESM	√	√	√ ESM Board of Auditors	√ External Auditor

Internal controls: Oversight of management of the information provided, processes, own procedures, guidelines imposed, laws applicable, risks, etc.
Internal auditing: independent and objective evaluation aimed at improving policy processes and risk and control management.
Public external auditing: independent inquiry into the regularity and effectiveness of spending by an audit office or similar organisation.
Private external auditing: independent examination of the financial statements of an organisation.

Greek Loan Facility

At the European level, coordination and auditing relating to the GLF are carried out by the Directorate General for Economic and Financial Affairs (DG ECFIN) of the European Commission. There is no provision for internal controls and auditing. Neither are there explicit guidelines on independent external auditing by the European Court of Auditors or any other independent external auditor.

When it comes to the national contributions to the GLF from individual countries, the relevant national authorities may apply their own controls over the transfer of their loans to the European Commission. Furthermore, nationally based auditing institutions in the EU member states concerned may, if they are authorised to do so, scrutinise the actions of their own finance minister.

The independent external auditing of the spending of GLF loans in Greece is carried out by the Greek national audit office. To our knowledge, however, the Greek court of audit has so far not yet carried out any such studies.

Community-based assistance via the EFSM

The EFSM is subject to a systematic internal audit by DG ECFIN of the European Commission. In its annual report on its activities, DG ECFIN has not provided any comprehensive accounts for the EFSM, but does scrutinise the management and internal auditing systems.

The EFSM Regulation defines the role of the European Court of Auditors as the independent external auditor. In 2012, the President of the European Court of Auditors informed the European Parliament of its intention to study this fund (European Parliament, 2012).[55]

Intergovernmental assistance via the EFSF and ESM

The intergovernmental emergency funds, the EFSF and the ESM, have internal control and auditing facilities. The external audit of the annual accounts is carried out by a private auditor (PwC). PwC has been contracted by the two funds to evaluate the accounts presented for several years, without making any pronouncement on the regularity and effectiveness of its expenditure.

The ESM has an independent auditing committee (the Board of Auditors).[56] In his first annual report (mid-2013), the Board of Auditors noted that the ESM's internal auditing facility was in need of improvement. Only one staff member has been appointed for the internal audit and in 2014 no method for internal audits had yet been determined (Netherlands Court of Audit, 2014b). The annual report over the year 2013 shows that the number of internal auditors has not yet been increased. Furthermore, the framework for internal auditing at the ESM is still under development.

We note that the ESM Board of Auditors has yet to fully utilise the investigative options that the ESM treaty and its accompanying 'by-laws' provide for.[57] The by-laws associated with the ESM Treaty state that: 'The Board of Auditors (...) shall audit regularity, compliance, performance and risk management of the ESM in accordance with international auditing standards. It shall monitor and review the ESM's internal and external audit processes and their results.' So far, the Board of Auditors has conducted no research into the efficiency and effectiveness of the spending from the ESM.
It is significant that the Board of Auditors does not yet have sufficient manpower or resources to conduct in-depth research into, for example, the effectiveness of the actual expenditure from the ESM.

Although the EFSF and the ESM are now housed within one organisation, the Board of Auditors can only consider ESM spending. According to the Minister of Finance, an independent Board of Auditors is not possible for the EFSF, because as a private company subject to Luxembourg law, the fund cannot be subject to independent oversight. As an alternative, at the end of December 2013, an 'audit committee' was established that comprises members of the Board of Directors of the EFSF. However, this audit committee specifically oversees the financial reporting process of the EFSF and the internal auditing of the EFSF. According to the minister, this strengthens

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To date, however, the European Court of Auditors, however, has not published any reports on the EFSM.

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This committee consists of five members: two deputies nominated by the national auditing institutions of the ESM member states, two external members and one member nominated by the ECA. Some of the legal requirements for the proper functioning of the Board of Auditors have not been satisfied, however: financial remuneration and legal immunity of members. As a result, the independence of its members could be subject to question.

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See article 24, paragraph 4 of the by-laws associated with the ESM treaty.

oversight of the programme of loans granted to Greece, Ireland and Portugal. As we have stated previously, this does not guarantee the necessary independent external auditing procedures. After all, the EFSF audit committee consists of directors of the EFSF, which means that it is effectively overseeing itself, as we have noted earlier (Netherlands Court of Audit, 2014b). As a European institution, the European Court of Auditors plays no role in the EFSF and the ESM.

The ESM Board of Auditors sends its annual auditing report to the Board of Governors. In the Netherlands, this report is forwarded to the Dutch Parliament and the Netherlands Court of Audit. We have not been able to establish whether the same happens in other eurozone countries in a similar manner. Furthermore, only the competent national audit institutions of the recipient countries have the necessary infrastructure in place to perform audits on how that money is spent in their country, and can on this basis inform their national parliaments of their findings. Whether this actually happens cannot be confirmed.

5 Further considerations and points of attention

Our study of the European emergency funds has brought a number of issues to light:

- There is little insight into where exactly the money lent by the European emergency funds ends up.
- No European independent evaluation carried out into the effectiveness of the emergency assistance funds lent to distressed euro countries has been conducted. The IMF, by contrast, has carried out a number of ex-post evaluations.
- There is insufficient democratic control and accountability in relation to the main decision-maker on the European emergency funds, the Eurogroup.
- Independent external auditing is absent for the majority of the funds that have been spent from the emergency funds.

It is understandable that at the time when the assistance programmes and emergency funds were established, there was not enough time to think about control and accountability. But now that calm has returned to the financial markets to some extent, and it has become clear that the degree of due transparency and accountability that is necessary from the point of view of democracy, it is now time to remedy this state of affairs.

On the basis of the above findings, we have identified the following issues for the Minister of Finance to consider:

- At the European level, the Economic and Financial Affairs Council (ECOFIN) should commission independent evaluations of the assistance programmes that have been completed, including the first assistance programme for Greece (2010-2011), and the role played by the troika, in order to draw lessons for the future - just as the IMF has done. These evaluations should address the creation and implementation of each programme, the financial data received from the countries affected that formed the basis for these programmes, and the actual spending of the money from the emergency funds.
- We recommend that the absence of independent external auditing of the EFSF (from which the majority of the financial assistance to eurozone countries has been provided) is remedied by ordering an independent external audit by the ESM Board of Auditors.
- The ESM Board of Auditors should take full advantage of the provisions of the ESM treaty and its associated by-laws, which include undertaking an audit of both the regularity and the effectiveness of the spending. In order to do this, the Board of Auditors must be given sufficient manpower and resources.

Furthermore, we have formulated a number of lessons for the future which the Minister of Finance could raise in Brussels:

- Countries that borrow money from the emergency funds should clarify how that money has been spent using methods such as independent and public reporting. This would not only serve the interests of greater transparency, but this information is also needed to ascertain whether the use of the emergency assistance is actually effective.
- With a view to the repayment of the emergency assistance that has been provided, the European Commission could also intensify its ‘post-programme surveillance’ for countries that have left the assistance programmes. To do this, the European

Commission could make annual use of the possibility of in-depth analysis through the 'European Semester' - the system of cyclical monitoring and coordination for the economy and public finances of EU member states which was introduced in 2011.[58] Coupled with this, ECOFIN should make specific recommendations to these countries with respect to their budgetary and macroeconomic situation. These recommendations could also include corrective elements, where necessary.

- For any future assistance programmes, agreements should be made at the outset on an independent evaluation of the effectiveness of the measures taken.
- The mechanisms for democratic control on and accountability of the decision-making of the Eurogroup and the troika could be strengthened. Parliaments - both the European parliament and national parliaments - should be given insight into this decision-making process, and be given the powers to monitor it when necessary.
- It is important that the European Commission is better able to monitor the quality of the financial data that serve as the basis for an assistance programme. This could help to prevent any repeat of the issues surrounding the first assistance programme for Greece, when the financial information that was used as the basis for the programme turned out to be wrong.

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The fiscal policies of the EU member states and the potential for unacceptable budget deficits are specifically examined in the first half of each year as part of the 'European Semester'. The European Commission, ECOFIN and the European Council are responsible for this. They also consider any macro-economic imbalances and potential problems in the financial sector. Recommendations are formulated with respect to how countries can tackle these problems in the best way.

6 The response from the Minister of Finance and afterword by the Netherlands Court of Audit

On 27 August 2015, the Minister of Finance responded to our report. His response is included below in full. We will conclude this section with our afterword.

6.1 Response from the Minister of Finance

On 8 July, you sent me a draft report entitled "Emergency assistance for eurozone countries during the crisis", on which you asked me to comment. I have read the report with interest and am now writing to respond to the recommendations made in it and the lessons learned for the future. I would also like to make a number of more general comments.

The key questions in the audit concern the four EU emergency funds, i.e. the GLF, the EFSM, the EFSF and the ESM. You examine the operation of the assistance programmes and the provisions made for performing independent audits of them. Your report also discusses the disbursement, effectiveness and repayment of the emergency assistance in three assistance programmes, i.e. those for Greece, Spain and Ireland. Finally, your report also looks at the procedures for reporting to the Dutch parliament. The period covered by the audit runs from 2010 to the spring of 2015.

Against the background of the key questions, the relationship with the emergency assistance provided by the European Central Bank (ECB) is not entirely clear. The special instruments deployed by the ECB since the start of the financial crisis are not support measures for individual member states that are comparable with the system of direct support for member states provided from the four emergency funds. Moreover, we need to bear in mind that the European System of Central Banks (ESCB) is an independent body, as laid down in Article 130 of the TFEU and Article 7 of the ESCB's Statute. This means that it would not be right for any risks resulting from the monetary measures taken by the ECB to be added to the exposure resulting from the assistance programmes, especially as this also includes exposure through routine refinancing operations.

Response to points raised in relation to the independent audit of emergency funds

In its report, the Court of Audit suggests making the ESM Board of Auditors responsible for performing independent external audits of the EFSF emergency fund. The government already studied the possibilities in this respect in 2013. The study made clear that it was not feasible: as a private undertaking incorporated under Luxembourg law, the EFSF cannot be audited by a body that is not composed of the members of its Board of Directors. On the insistence of the Dutch government, the EFSF's Board of Directors formally resolved on 17 December 2013 to set up an internal Audit Committee. This committee consists of various members of the EFSF's Board of Directors. The government believes that this step represents both a welcome improvement in the way in which the EFSF is audited and the maximum achievable in relation to a private undertaking subject to Luxembourg law.

The Court of Audit also recommends that the ESM Board of Auditors should make better use of provisions on audits contained in the ESM Treaty and its associated by-laws, which include performing audits of the regularity and effectiveness of spending. In order to do this, the Court claims, the ESM Board of Auditors must have sufficient manpower and resources. From the very outset, the government has been a keen proponent of the principle that the work of the ESM should be monitored by an independent, public audit committee with far-reaching powers (Parliamentary Papers II, 2011-2012 session, 33 221, no. 6). The government believes that, in the present situation, there are sufficient safeguards to ensure that the ESM and the available budget are properly audited. The ESM has developed and refined its internal and external audit functions in recent years. The government believes that the work performed by the ESM Board of Auditors has helped in this respect. In other words, the government takes the view that the Board of Auditors' work is of vital importance. I agree with the Court of Audit that the ESM Board of Auditors must have sufficient manpower and resources. The Board's budget has been raised in the past few years, in line with the evolution of the ESM itself as an international financial institution. In my opinion, the budget allocated to the ESM Board of Auditors (which was not fully utilised in 2014) is sufficient to enable it to discharge its task. I would welcome an audit by the ESM Board of Auditors into the regularity and effectiveness of the use that has been made of the emergency loans. Although it is up to the Board as an independent committee to decide on this for itself, I intend to raise the matter with the Board.

Response to points raised in relation to spending, repayment and effectiveness

One of the suggestions made in the report is for the ECOFIN Council to commission an independent evaluation of the assistance programmes that have been completed and their organisational relationship with the troika and to draw lessons for the future, just as the IMF has already done. I agree with the Court of Audit on the need to evaluate the programmes that have already been completed and to draw lessons for the future. In its report, the Court of Audit says that no independent EU reviews are carried out of the effectiveness of the emergency assistance provided to distressed eurozone countries. Unlike the IMF, the European Commission does not have a Directorate-General that is responsible for performing independent reviews.

Having said this, the European Commission did set up an independent committee at the end of 2014 to carry out an ex-post evaluation of the loan programme for Ireland. The evaluation was performed in line with the Committee's evaluation standards and in accordance with international best practices. The committee consisted of Commission staff who had not had any involvement with the Irish Economic Adjustment Programme. The committee published its report in July 2015.[59]

I believe that sufficient safeguards have been put in place to guarantee the European Commission's independence and will be pressing the Commission also to evaluate other completed assistance programmes in which it has been involved. As the Court's report makes clear, the IMF has performed an ex-post evaluation of the first assistance programme for Greece. The member states that provided bilateral support did not perform any additional independent reviews of their own. This is due to the nature of the loans, which are made from one country to another. Because the loans are bilateral, the countries concerned and their own national audit offices are responsible for evaluating the programme. The bilateral loans that the Netherlands granted to Greece could therefore form the subject of an audit by the Netherlands Court of Audit. One of the main lessons learned from the first assistance programme for Greece was that there was a need for a permanent emergency fund with sufficient lending capacity in order to guarantee the stability of the eurozone.

The Court of Audit suggests that member states receiving support from the emergency funds should make clear how the money has been spent, for example by publishing an independent, public report. The aim in doing so would be to demonstrate the effectiveness of emergency assistance. Another of the Court's lessons for the future is that agreement

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The European Commission's ex-post evaluation of the Economic Adjustment Programme for Ireland has been posted on the European Commission's website at: http://ec.europa.eu/economy_finance/publications/eeip/ip004_en.htm

should be reached at the outset of any future assistance programme on an independent evaluation of the effectiveness of the measures taken.
I believe that, in order to assess whether the member state in question has actually benefited from the support, the scope of the evaluation should be broadened to encompass more than just the precise way in which the emergency assistance has been spent. The Memorandum of Understanding signed at the beginning of the programme describes the measures and policy action the member state is required to take in order to qualify for the emergency loans. These are specific measures that are designed to address the problems affecting the member state in question, and which are aimed at restoring financial stability, undertaking structural reforms and straightening out the budget, with the ultimate aim of enabling the member state to stand on its own two legs in the future. In accordance with the IMF's standards, one of the inherent features of such assistance programmes is that, to a certain extent, their ultimate aim is open-ended. After all, they are not intended as project finance but as general budget support, given that the member state has little or no access to the capital market. By the same measure, it is not possible, for example, to establish a direct link between all the Dutch State's revenue and expenditure.
An initial assessment of the effectiveness of emergency assistance is made during the course of the troika's routine monitoring missions, which look at three indicators, viz. long-term interest rates, the government deficit and the national debt. Unquestionably relevant though these indicators may be, they provide only a rough, initial impression of the current situation and the effectiveness of the emergency assistance. For example, the problems besetting Greece go way beyond the state of its public finances, and in Spain, information on the state of the financial industry is absolutely vital in order to be able to make any meaningful pronouncements about the effectiveness of the emergency assistance. In my opinion, the institutions do enough, before disbursing a new tranche of emergency assistance, to monitor and assess the progress made with the aid of the measures taken. The programmes themselves are subject to constant monitoring.

Another lesson proposed by the Court of Audit is that the European Commission could intensify its post-programme surveillance of countries that have left the assistance programmes. To this end, the Commission could make use of the opportunities for performing an in-depth analysis through the 'European Semester'. In parallel with this, the Court would like to see ECOFIN making specific recommendations to these countries about their budgetary and macroeconomic situation.
The post-programme surveillance of a member state is tremendously important, as a means of preventing the member state in question from reverting to its former policies. The Stability and Growth Pact (SGP), the Macroeconomic Imbalance Procedure (MIP) and the European Semester combined with post-programme evaluations and the ESM's Early Warning System together guarantee that member states are governed by policies that are designed to foster long-term growth, financial stability and sustainable public finances.

The European Commission currently undertakes post-programme surveillance missions every six months. The springtime missions coincide with the European Commission's in-depth analyses, which already provide a springboard for making recommendations to member states as to how they should rectify any imbalances. Where necessitated by a member state's budgetary or macroeconomic situation, and acting on the Commission's proposal, the Council is entitled to make a corrective recommendation. If the member state fails to take sufficient action to implement this recommendation, a financial sanction may then be imposed. The SGP procedures have already been considerably toughened in recent years and I believe that, thanks to these tighter controls, member states leaving an assistance programme are now subject to a sufficient degree of monitoring.

Finally, the Court of Audit underlines the importance of the European Commission being better able to monitor the quality of the financial data. I endorse this recommendation and believe it is crucial that the data supplied by member states to the European Commission are both accurate and complete. The Court refers in its report to the experiences with the first assistance programme for Greece, in which it transpired in retrospect that the Greek government deficit in 2009 had actually been much higher than was suggested by the statistics. The Memorandum of Understanding contains a number of arrangements specifically targeted at Greece the aim of which is to guarantee the independence of the Greek national statistical office. In addition, Eurostat is not only helping the member states to produce statistics, but has in recent years also supplied Greece with extra technical assistance on an ongoing basis in order to improve its statistical capacity.

Response to points raised and lessons learned in relation to reporting to the Dutch parliament

The Court of Audit makes clear in its report that there is scope for improving the mechanisms for democratic control and accountability in relation to decision-making by the Eurogroup and the troika. Parliaments - both the European Parliament and national parliaments – should be informed both about this decision-making process and about the evidence underlying the decisions taken.

I would like to emphasise that the Dutch parliament is always informed in advance about the Eurogroup agenda and the Dutch objectives in relation to the annotated agenda. In the following stage of the process, parliament has plenty of opportunity, in both the General Eurogroup Consultation and the ECOFIN Council, to discuss the Dutch position with the minister. Parliament always receives the minutes of Eurogroup and ECOFIN meetings. I believe that this procedure ensures that Parliament is closely involved in the Eurogroup's decision-making procedures.

I also wish to stress that the intergovernmental nature of the EFSF and ESM emergency funds is the result of a political decision. This means that neither the EFSF nor the ESM falls within the scope of the TFEU and that, consequently, the European Parliament has no say in decision-making procedures. Nonetheless, national parliaments are involved in decision-making on the emergency funds. For example, all the national parliaments in the eurozone ratified the ESM Treaty. Here in the Netherlands, various arrangements have been made in the information protocol about the way in which the government is to inform the House of Representatives about the decrees and orders issued in relation to the ESM and the EFSF (ref. House of Representatives, 2014-2015 session, no. 21501-07 1217, date: 15 December 2014). The government sends the Dutch parliament (in certain cases on a confidential basis) copies of the documents that form the basis for decisions taken on the assistance programmes by the Eurogroup or the ESM Board of Governors.

I was pleased to read in the Court's audit report that, even though the government has had to take a large number of decisions under huge pressure of time, the House of Representatives was nonetheless well-informed about the creation of the emergency funds, the Dutch role in this process, and the assistance programmes.

6.2 Afterword Netherlands Court of Audit

This report examines the emergency funds and the support measures taken by the ECB during the crisis in conjunction. The first reason to do so is because both the emergency funds and the monetary operations of the ECB can have consequences for the Dutch government budget. The amount of guarantees that the Netherlands has given for the EFSF and ESM is very high. Furthermore, there is a state guarantee of € 5.7 billion to cover the risks that are associated with the operations of the ECB. The former directly impacts the budget when the guarantees are recalled. The latter indirectly impacts the budget through the profit remittance of DNB to the State. We also look at these different types of support in coherence in order to get insight into the effectiveness of the support. We note that a large part of the support from the emergency funds has been used for banks, and that the ECB was directly involved in the execution of the support programmes due to its role in the troika.
We recognise that the ESCB is independent, but at the same time we recognise that monetary policy and the measures to mitigate the crisis are intertwined. In addition, statements by the President of the ECB often have far-reaching consequences, and this includes an effect on the liquidity and financial viability of national governments. Contrary to what the Minister suggests, we do not include exposure to the risks arising from the support operations of the ECB with money disbursed via the emergency funds.

We note that since 2010, taxpayers' money from Eurozone countries has been used both to provide loans and to guarantee loans taken out by the emergency funds for recipient states. In our opinion, this necessitates a transparent decision-making procedure on the part of the Eurogroup, which should include a corresponding level of control and accountability. The fact that a decision was made to run certain emergency funds on an intergovernmental basis does not alter this conclusion. We understand that this decision was made under a particular set of circumstances during the crisis; nevertheless, we find it disappointing that the Minister makes no commitment to work actively to remedy this situation.

We are appreciative that the Minister will indicate to the European Commission the importance of conducting evaluations of the completed loan programmes in which the Commission has played a role. We would emphasise that any such evaluations must be independent, and the relevant agencies should not simply be left to conduct their own evaluations. The method which has recently been decided on, whereby the Commission establishes a steering committee consisting of its own staff members, does not provide sufficient guarantees of impartiality, in our view.

We note that a difference of opinion remains regarding the desirability of an independent external audit of the EFSF emergency fund. In our view, a Board of Auditors that consists of individuals who are directly involved makes an independent external audit impossible. We would also like to point out that the EFSF and ESM have now become a single organisation. As part of this process, all aspects of EFSF governance have been transferred to the ESM, except the independent external audit function.
We are also appreciative that the Minister will discuss the possibility of the ESM Board of Auditors investigating the regularity and effectiveness of expenditure. We shall await the results of this discussion with interest. We continue to be of the opinion that

more manpower and resources will be necessary if the Board of Auditors wishes to audit regularity and effectiveness more thoroughly.

Finally, we note that the Minister appears to take the view that existing post-programme surveillance is sufficiently rigorous. We believe that supervision will only be sufficient if the conclusions and recommendations issued as part of the European Semester are henceforth backed up with real consequences for the states concerned.

Appendix 1 Standards

Three types of standards are applicable in this study:
1. Standards derived from legislation and regulations;
2. policy papers and other documents stating how the policy under review should be carried out according to the minister;
3. our own standards, as set out in our memorandum on basic standards for policy and in the memorandum on basic standards for research into financial management in the EU.

1. Standards derived from legislation and regulations;

The Government Accounts Act 2001 (CW 2001) includes two standards applicable to this study:
- Article 85: The Netherlands Court of Audit shall examine the effectiveness and efficiency of the policy.
- Article 87: The Netherlands Court of Audit may, insofar as is deemed necessary for the execution of its duties, study any materials, records, documents and other forms of information present at all departments of the central government, in a manner deemed to be appropriate. Our Ministers shall upon request provide the information that the Court considers necessary for the execution of its duties.

2. Policy documents and such like

The rule of thumb that we use is that the intended performance and results of the policy should be included in policy documents and such like, and then be realised. This covers:
- agreements that have been made by the Minister of Finance on behalf of the Netherlands member state and set down in a Memorandum of Understanding;
- agreements that the Minister has made on behalf of the Netherlands on the loans and guarantees in relation to the emergency funds;
- documents provided by the minister to the Netherlands' House of Representatives for the purposes of information or accountability.

3. Netherlands Court of Audit's own standards

Compilation of information
Information on policy should be compiled in a reliable, valid, orderly, controllable and cost-effective manner. Financial accountability within the EU (both within the EU as a whole and in the individual member states) must wherever possible consist of quantitative and externally verified information. The funds allocated to the policy must be traceable until the point at which they are spent.

Decision-making and related information
The manner in which decisions are taken at national and European levels must be transparent.
The information available at ministries concerning the decision-making process that has led to a Dutch position on a certain European policy must be of adequate quality. This means that this information should be properly substantiated and relevant to the

(aims of the) policy to which the decision-making relates. The dossiers must also be reconstructible (possibly digital).

Provision of information to the States General

The information ministers provide the States General on assistance programmes and emergency assistance should meet the following standards:

- reliability: the information is accurate, complete, accessible, of adequate quality;
- timeliness: the information is communicated in good time;
- adequacy: the information is clear, understandable and usable by the addressee;
- transparency: the information is made clear in a proper manner, so that it is clear how the Dutch position has been established.

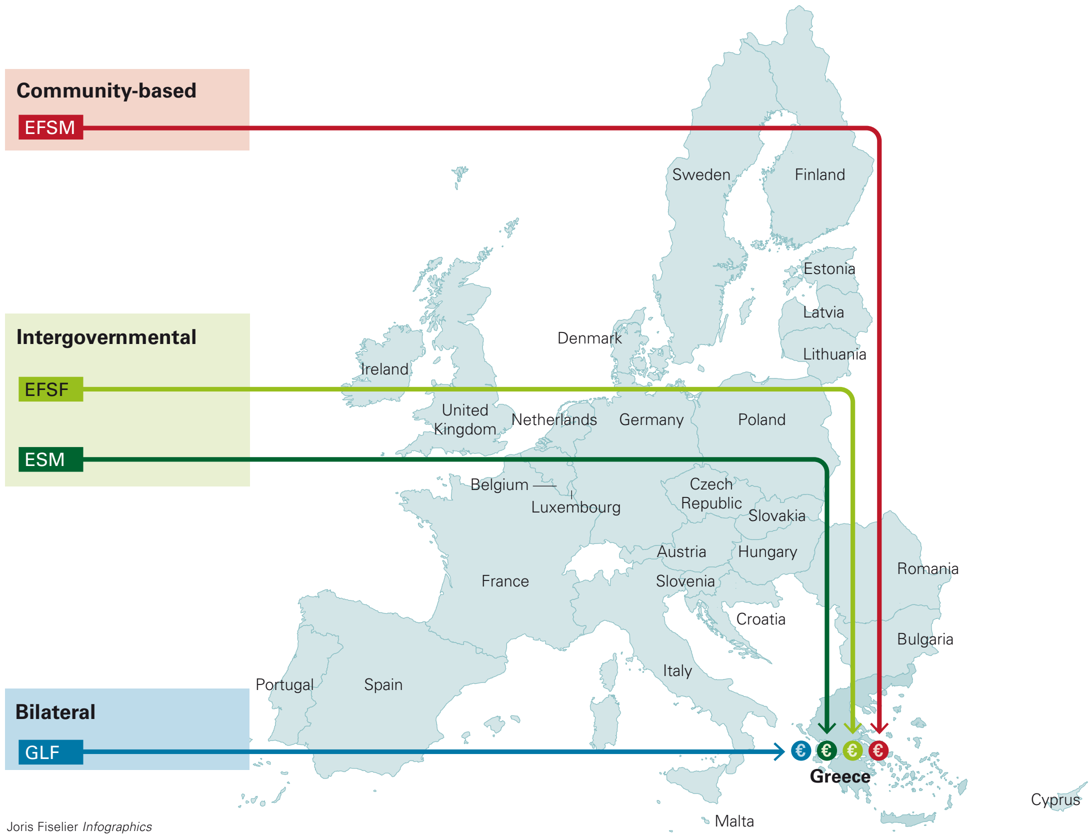
In addition, accountability for the emergency funds must meet the relevant standards of the United Nations (UN) and on this subject, the International Public Sector Accounting Standards (IPSAS):

- the characteristics of public administration as defined by the UN include transparency, public accountability (about legality, integrity, the ability to learn and be 'in control'), effectiveness and efficiency;
- the IPSAS standards regarding accountability and democratic control, including IPSAS 15 and 22 on the disclosure of financial information (financial, performance and effects).

Appendix 2 Fact sheets Greece, Ireland and Spain

Greece: Emergency assistance in practice

In 2010, Greece received emergency assistance from the Greek Loan Facility (GLF). From 2012 to 30 June 2015, the country received support from the European Financial Stability Facility (EFSF). The aim of the emergency assistance for Greece was to ensure financial stability in the euro area as a whole, to realise Greece's return to the capital markets and to restore confidence. Recently the Eurogroup decided to provide Greece with a bridge loan from the European Financial Stabilisation Mechanism (EFSM). It also decided to start a third programme, this time financed by the European Stability Mechanism (ESM). The first tranche has already been provided.



What happened?

In 2009, Greece's government deficit and public debt were very high and the country was no longer able to borrow money on the capital market. The gravity of the situation came to light after figures were revised by the Greek office of statistics.

- December 2009: New government takes office; budget deficit proves considerably larger than previous statistics had indicated.
- February 2010: Council of Ministers urges Greece to implement measures by May 2010, and to correct its excessive deficit by 2012.
- 11 February 2010: Eurogroup decides in principle to provide assistance to Greece under strict conditions.
- April 2010: Confidence of the capital market collapses. Greece can borrow no more and needs assistance in order to meet its obligations.
- 23 April 2010: Greece calls on EU for support.
- 9 May 2010: Eurogroup approves creation of GLF.

- 20 February 2012: First assistance programme is halted because the funding gap proves much larger than estimated; the remaining funds are transferred to the EFSF. Second assistance programme starts in 2012, with payments made through the EFSF.
- December 2014: No agreement between the troika and the Greek government; last tranche of EFSF support is not paid.
- January 2015: New government takes office following elections; ongoing technical support package is extended by four months to June 2015.
- 30 June 2015: Talks on new assistance programme for Greece run into difficulties. Second assistance programme expires.
- 17 July 2015: Eurogroup decides to start a third programme from the ESM, provided Greece meets the conditions set. Greece receives a bridge loan from the EFSM.
- 19 August 2015: The national parliaments have approved it so the Eurogroup agrees to a third assistance programme up to €86 billion from the ESM.
- 20 August 2015: The ESM delivers a first tranche for the sum of €23 billion based on the third programme. Part of this amount has been used to repay the bridge loan to the EFSM.

How much emergency assistance did Greece need?

In 2010, Greece was no longer able to meet its financing requirements. A gap opened up between the capital that Greece needed to meet its financial obligations and what the country was able to secure in loans through the capital market. The size of this gap has fluctuated since the start of the first assistance programme to Greece. At the end of 2011, the gap proved much larger than had been estimated and a second assistance programme became necessary. In August 2015 an agreement has been reached to provide for a third assistance programme.

Overview of financing requirements (in billions of euros)

	2010 (1st programme)	2011 (2nd programme)	2015 (3rd programme)
Required	**203**	**179**	**94**
Financing requirement	53	21	
Other cash requirements	2	19	15
Debt repayments	138	60	54
Support for banks and conversion of private sector loans (PSI deal)	10	78	25
Available	**94**	**14**	**8**
New loans on capital market	94	14	
Financing surplus			2
Privatisations			6
Financing gap	**109**	**165**	**86**

Source: European Commission data from 1st and 2nd Greek programmes and the proposal for the ESM Financial Facility Agreement for Greece.

How much money did Greece receive and from which emergency funds?

On 2 May 2010, euro area countries pledged bilateral loans to Greece. These initially amounted to a total of €80 billion[60], to be pooled and managed by the European Commission, plus €30 billion from the IMF.

60 This pledge has been cut to €77,3 billion between May 2010 and February 2011 because the Slovakian Parliament refused to support Greece and because Ireland and Portugal needed support themselves.

When it became clear that the first assistance programme would not provide enough support, the programme was terminated in 2012 and capped at €52.9 billion from euro area states and €20.1 billion from the IMF, making €73 billion all together (this was the amount loaned to Greece at that moment).
A second programme was established by the EFSF in combination with the IMF. The EFSF committed €143.6 billion, of which €119.2 billion represented 'new' commitments; the rest came from the funds remaining from the first assistance programme. On this occasion, the money did not take the form of bilateral loans from euro area countries, but was administered via the EFSF.
The IMF pledged €28 billion for the second support programme, of which €10 billion came from the funds remaining from the first programme.

For the third assistance programme Greece has been pledged €86 billion from the ESM. In the meantime (July 2015) Greece received a bridge loan from the EFSM for €7.2 billion.

Summary of commitments (in billions of euros)

	EU	Euro area countries	IMF	Total
Programme 1 (GLF)		52.9	20.1	73.0
Programme 2 (EFSF):		143.6	28.0	171.6
Remainder from programme 1		24.4	10.0	34.4
Commitments for programme 2		119.2	18.0	137.2
Bridge loan (EFSM)	7.2			7.2
Programme 3 (ESM)		86	PM*	86
Total for programmes	**7.2**	**282.5**	**48.1**	**337.8**

* The IMF could also decide to provide assistance: the amount will be subtracted from the € 86 billion pledge by the euro countries. The total pledge to Greece will remain the same (€ 86 billion).

Source: European Commission data from 1st and 2nd Greek programmes and the proposal for the ESM Financial Facility Agreement for Greece

Summary of payments (in billions of euros)

	2010	2011	2012	2013	2014	2015	Total
EFSF			108.2	25.3	8.3		141.8
ESM						23.0	23.0
EFSM						7.2	7.2
GLF	21.0	31.9					52.9
IMF	10.5	9.6	1.6	6.7	3.4		31.8
Total	**31.5**	**41.5**	**109.8**	**32.0**	**11.7**	**30.2**	**256.7**

Sources: European Commission data from the 4th review of the 2nd programme and the European Commission and ESM websites

What did Greece use this money for?

The reasons for providing the support in the first assistance programme were broadly clear: to repay debt, recapitalise banks and reduce the Greek public sector borrowing requirement. For the second assistance programme, the only possible way to assess what the money was most likely spent on is by looking at Greece's need for finance. No information is available that shows how Greece actually spent this emergency assistance, except that €18 billion was paid to Greek banks. There is no information available yet about how Greece spent the third programme of support.

A summary of actual expenditure (in billions of euros)

	Actual expenditure	
	1st programme*	2nd programme**
Total	**118**	**Unknown**
Financing requirement	**32**	
Deficit		
Interest payments		
Other cash requirements	**14**	
Reserves		
Payment arrears		
Cash buffer	14	
Remittance to ESM		
Debt repayment instalment	**69**	
Long-term loans	33	
Short-term loans	36	
Repayments to IMF		
Cost of Private Sector Involvement (PSI)	**3**	
Cash for PSI (redemption and interest)		
Bank recapitalisation	3	18
Cash for repayment of public sector debt		

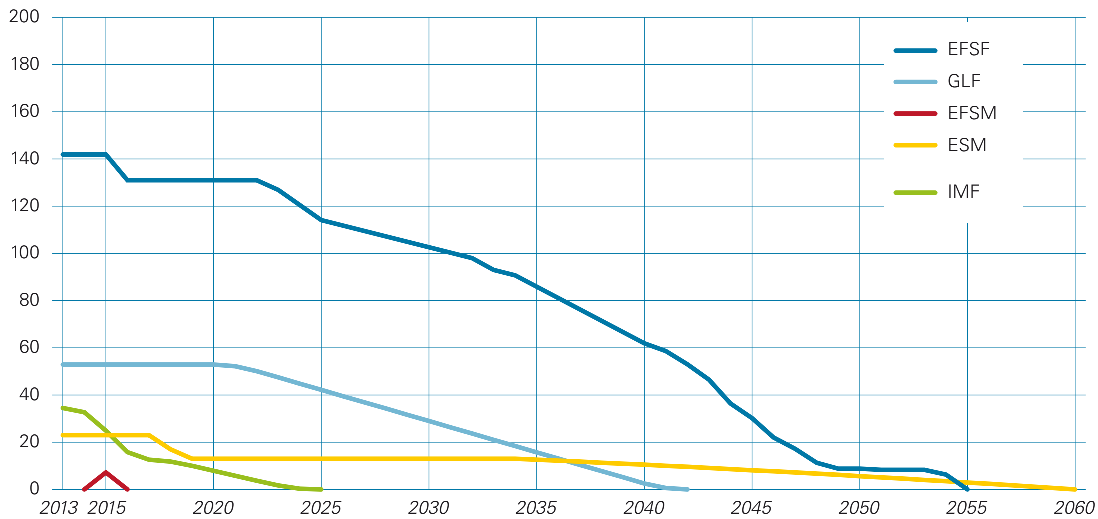
* Source: reconstruction based on a figure from European Commission, 5th Review of the 1st Programme, October 2011 (page 43).

** The troika has not published any information about the actual expenditure of the second programme. Therefore it was not known which figures to present in this table, besides €18 billion for bank recapitalisation.

When will Greece pay the money back?

All emergency assistance from the EU and the IMF has been provided in the form of loans. Greece is required to repay this money. The euro area countries granted Greece favourable interest and repayment terms for these loans. The interest margin for the EFSF loans has been set at zero. The dates on which they mature have been extended and the GLF has granted a grace period of ten years. However, in February 2015 Greece did repay €10.9 billion in unused loans, according to the EFSF.

Greece: summary of outstanding loans from each fund (in billions of euros)



Sources: http://ec.europa.eu/economy_finance/eu (on the EFSM), http://www.esm.europa.eu/ (on the ESM), http://www.efsf.europa.eu (over de EFSF), http://www.imf.org (on the IMF) and data from the Ministry of Finance (on the GLF).

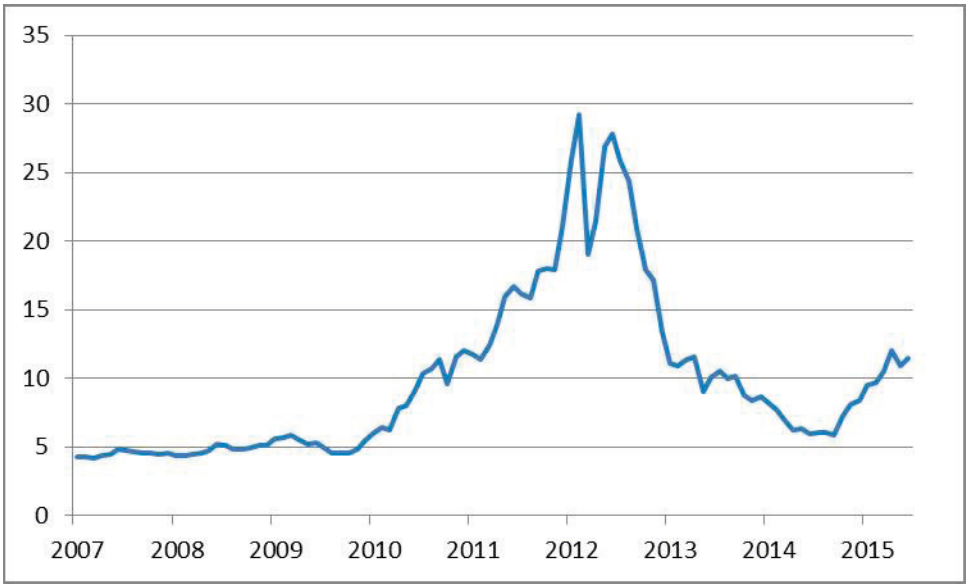
What is the situation in Greece now?

No information is currently available on the effectiveness of the emergency assistance that has been provided to Greece. Below you can see the situation in Greece after a number of years of emergency assistance, using data from the ECB relating to three financial-economic indicators:

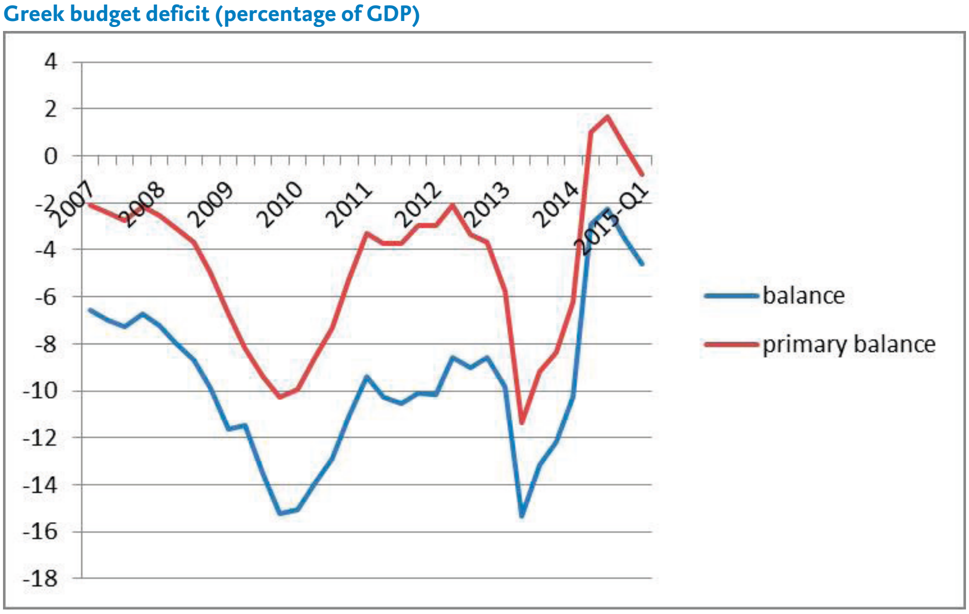
- Greek long-term bond yields (10 years) 2007-2015 (first quarter);
- Greek public sector borrowing requirement 2007 – 2015 (first quarter);
- Total Greek sovereign debt 2007-2015 (first quarter).

From 2012 onwards bond yields fell after Greece received emergency assistance from the euro area countries and the IMF, but rose once again following the Greek elections in 2015 and the absence of agreement on the payment of the last tranche of the second programme. At the end of 2014, Greece had a budget deficit of below 3%, but sovereign debt remains high. When the deficit is corrected for spending on interest and repayments (primary balance), Greece was running a small deficit in the first quarter of 2015.

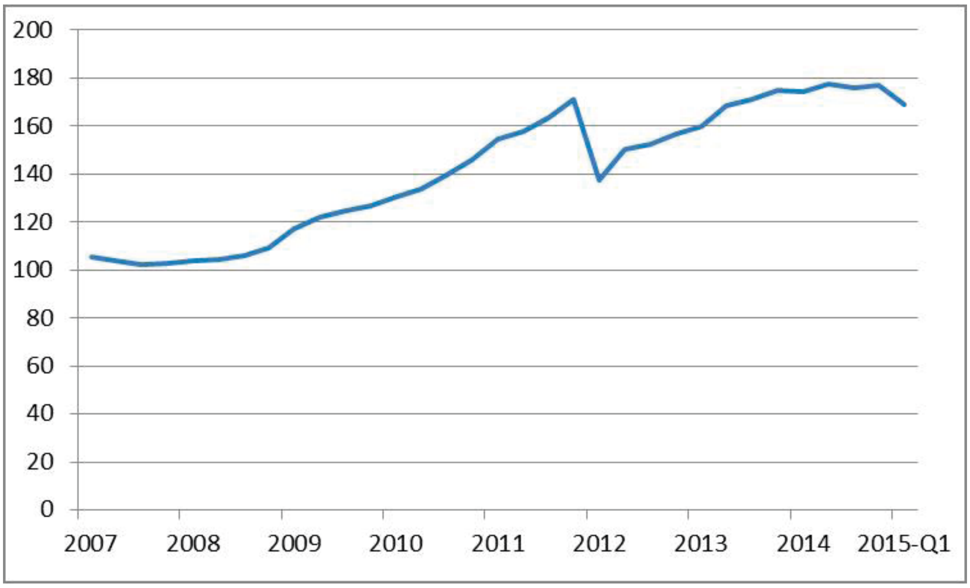
Greek long-term bond yields (percentage of GDP)



Greek budget deficit (percentage of GDP)



Greek sovereign debt (percentage of GDP)



Financial implications Greek assistance programmes

Below we provide a summary of the amounts outstanding as currently known.

Summary of financial consequences of the programmes of assistance for Greece (in billions of euros)

Source of financing	Total financial interest of creditors 31/08/2015	Financial interest of the Netherlands 31/08/2015
GLF - First Greek assistance programme	52.9	3.2 (6.0%)
EFSF - Second Greek assistance programme	130.9	8.0 (6.1%)
ESM – Third Greek assistance programme	23.0	1.3 (5.7%)
IMF - First and Second Greek programmes	23.9*	Approximately 0.53 (2.2%)
ECB: Securities Markers Programme portfolio Greece	16.1**	0.92*** (5.7%)
ECB: Open Market Operations wrt. Greek banks	53.5**	3.05*** (5.7%)
Emergency Liquidity Assistance (ELA) Greece	Approximately 83 ****	-

* Greece has repaid part of this money to the IMF. On 30 June 2015, Greece defaulted in a subsequent repayment instalment. On 31 August 2015 it is not clear yet if and to what degree the IMF will participate in the third Greek programme.

** Our own calculation, based on the DNB Annual Report 2014 and a Dutch share of 5,7%.

*** Source: DNB Annual Report 2014, Table 5.3

**** The ECB has not published official information about ELA-support since June 2015. Based on the information from the media, the amount had grown to approximately € 91 billion.

Explanatory notes to the figures:
As of 31 August 2015, the EFSF had outstanding loans worth €130.9 billion with the Greek government. This amount does not include loans worth €10.9 billion that Greece has already repaid to the EFSF. The Dutch share in the EFSF is 6.1%, which means that the Netherlands is acting as guarantor for €8 billion of the outstanding EFSF loans to Greece.

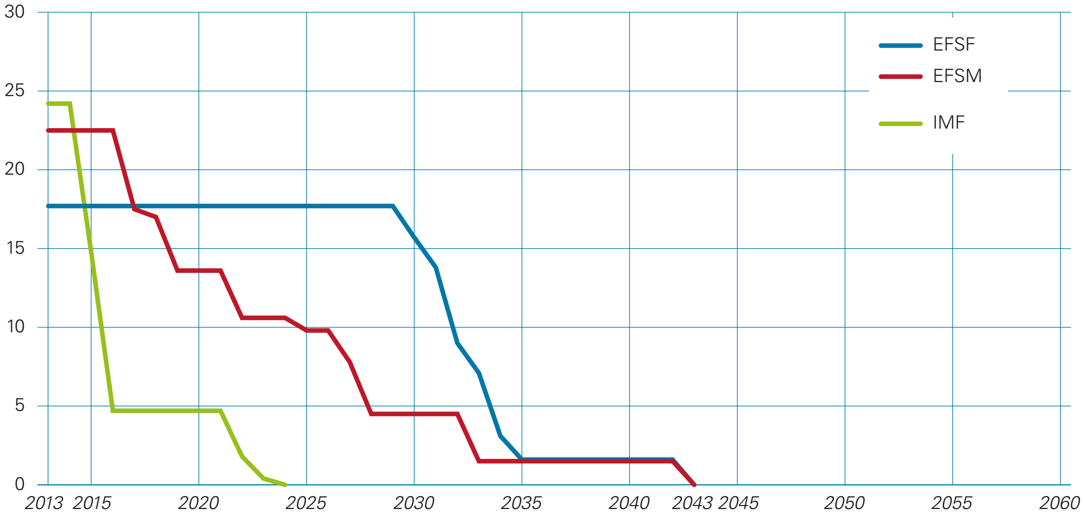
The Dutch share in the ESM is 5.7%. As of 31 August 2015, the ESM had paid out €23 billion to Greece, which means that the financial interest of the Netherlands is €1.3 billion for the ESM loans to Greece. The Greek government has already paid back part of the loans from the IMF, but on 30 June 2015 Greece defaulted on a repayment. The outstanding payment amounts to €23.9 billion, of which the Dutch share is 2.2%, or approximately €0.53 billion.
Regarding the portfolio of the Securities Markets Programme (SMP), the DNB's Annual Report 2014 (Table 5.3) states that the Netherlands' exposure in relation to Greece at the end of 2014 amounted to €0.92 billion.[61] Based on a Dutch share of 5.7%, the total exposure of the Eurozone as a whole stands at €16.1 billion. Moreover, on 19 February 2015 the ECB announced in a press release concerning the annual accounts for 2014 that the book value of the SMP portfolio for Greece amounts to €18.1 billion. For the ECB's open market operations, the Dutch exposure for Greek banks totalled €3.05 billion as of the end of 2014. The total exposure to Greece for the entire eurozone can thus be calculated at €53.5 billion.

61 Asset Purchase Programme for government bonds on the secondary market.

Emergency assistance for Ireland: EFSM and EFSF in practice

In 2010, Ireland was the first EU member state to request financial assistance from the two temporary European emergency funds, the European Financial Stability Facility (EFSF) and the European Financial Stabilisation Mechanism (EFSM). The assistance programme for Ireland was designed to reduce the country's sovereign debt to 3% by the end of 2014 and restore confidence in the sustainability of Ireland's public finances. Ireland was also the first country to leave the assistance programme at the end of 2013. Since then, Ireland has been subject to the regime of post-programme surveillance.

Ireland: summary of outstanding loans from each fund



Sources: http://ec.europa.eu/economy_finance/eu (on the EFSM), http://www.efsf.europa.eu (on the EFSF), http://www.imf.org (on the IMF)

What happened?

In 2007, Ireland had no budget deficit at all and a sovereign debt of only 20%. When the economic crisis hit Europe, the Irish housing market collapsed and a large proportion of the country's banking sector ran into difficulties. Irish banks were given extensive government support in order to ensure their continued functioning. Due to the close interdependence of the banking sector and public finances, the Irish government also found it almost impossible to borrow money on the capital market. As a result, Ireland ran up a substantial budget deficit by 2009.

- 21 November 2010: The Irish government applies for financial assistance from the EU and the IMF.
- 7 December 2010: The ECOFIN Council agrees to provide emergency assistance from the EFSM and EFSF. The IMF also provides programme funding.
- 31 December 2013: The assistance programme for Ireland has ended.
- 1 January 2014: Post-programme surveillance for Ireland is started.

How much emergency assistance did Ireland need?

ECOFIN consented to the provision of emergency assistance in 2010. Subsequently, in February 2011, the European Commission, the ECB and the IMF made an estimate of the Irish financing needs for the 2011-2013 period. A stress test of July 2011 showed that the capital requirements of Irish banks were lower than the €85 billion that had initially been estimated. However, Ireland was also finding it difficult to borrow on the capital market. The financing gap was still assessed to be €85 billion.

Overview of financing requirement (in billions of euros)

	February 2011	July 2011
Required	**133.9**	**105.9**
Financing shortfall	98.9	87.9
Bank Support	70.0	18.0
Available	**48.9**	**20.9**
New loans on capital markets	48.9	20.9
Financing gap	**85.0**	**85.0**

Source: European Commission data from assistance programme for Ireland in 2011, and the 3rd Review September 2011, respectively.

How much money did Ireland receive and from which emergency funds?

The overall assistance programme for Ireland was established on the basis of a capital requirement of €85 billion, €40 billion from the European emergency funds and €17.5 billion from Irish reserves. In addition, Ireland received funding from the IMF as well as bilateral assistance from Denmark, the United Kingdom and Sweden. In the overview below we only show the pledges from the emergency funds and the IMF.

Summary of commitments (in billions of euros)

Emergency Fund	Amount
EFSM	22.5
EFSF	17.7
IMF	22.5
Total assistance programme	**62.7**

Source: European Commission data from the Irish assistance programme, 2011

Summary of payments (in billions of euros)

	2011	2012	2013	2014	Total
EFSF	7.6	4.4	5.7		17.7
EFSM	13.9	7.8		0.8	22.5
IMF	13.2	6.6	3.5		23.3
Total	**34.1**	**18.7**	**9.1**	**0.8**	**63.5**

Source: EFSM, EFSF and IMF websites (IMF payments have been converted into euros from SDR at the exchange rate of 31 December 2014, producing some discrepancy with the actual amounts committed and with the amounts mentioned in the main report).

What did Ireland use this money for?

The primary purpose of the emergency assistance to Ireland was to restore the confidence of the financial markets in the banking sector and the Irish State. The Irish government sought to do this by:

- in the short term, restructuring the banking sector and reinforcing it with new capital (recapitalisation);
- restoring fiscal sustainability and eliminating the excessive deficit by 2015;
- achieving reform and sustainable growth in the labour market.

Overview of estimated expenditure

	2011	2012	2013	2011-2013
Budget deficit	18.4	16.4	11.2	46.1
Repayment of debt	9.7	9.4	16.0	37.5
Bank restructuring	16.6	1.6	0.0	18.1
Miscellaneous provisions	0.7	-0.2	1.0	1.5

Source: European Commission data from 12th Review, December 2013

The above amounts are estimates. No information is available to indicate how Ireland actually used the emergency assistance provided. What is known is the amount that Ireland spent on bank recapitalisation.

Recapitalisation of Irish banks (in billions of euros) in 2011 and 2012

Receivers	Government support	Private resources	Total
Compensation for shortage of capital			
AIB and EBS*	12.7	2.1	14.8
BOI	1.2	4.0	5.2
PTSB + Irish Life	2.7	1.3	4.0
Subtotal	**16.6**	**7.4**	**24**
Other recapitalisation			
PTSB (sale of Irish Life)	1.3	n/a	
Various credit institutions	0.3		
Total	**18.2**		

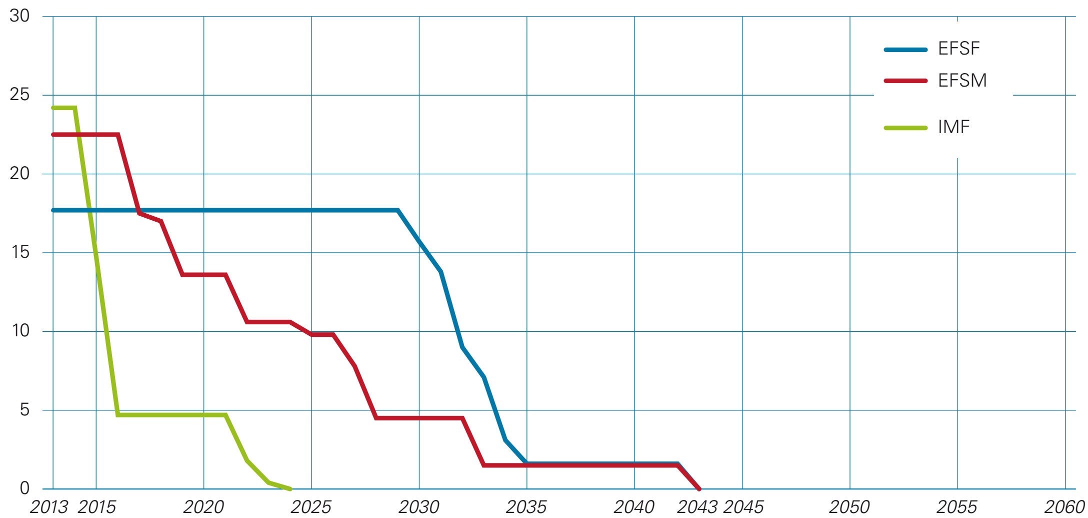
*The Irish bank EBS was acquired by AIB in 2011.

Sources: Data from European Commission, 4th review, December 2011; PCAR review of the Central Bank of Ireland, 2011

When will Ireland pay the money back?

All emergency assistance from the EU and the IMF has been provided in the form of loans. Ireland is required to repay this funding. By December 2014, Ireland had already repaid €9.5 billion and in June 2015 €10 billion to the IMF. The final repayments are scheduled for 2042.

Ireland: summery of outstanding loans from each fund (in billions of euros)



Sources: http://ec.europa.eu/economy_finance/eu (on the EFSM), http://www.efsf.europa.eu (on the EFSF), http://www.imf.org (on the IMF)

What is the situation in Ireland now?

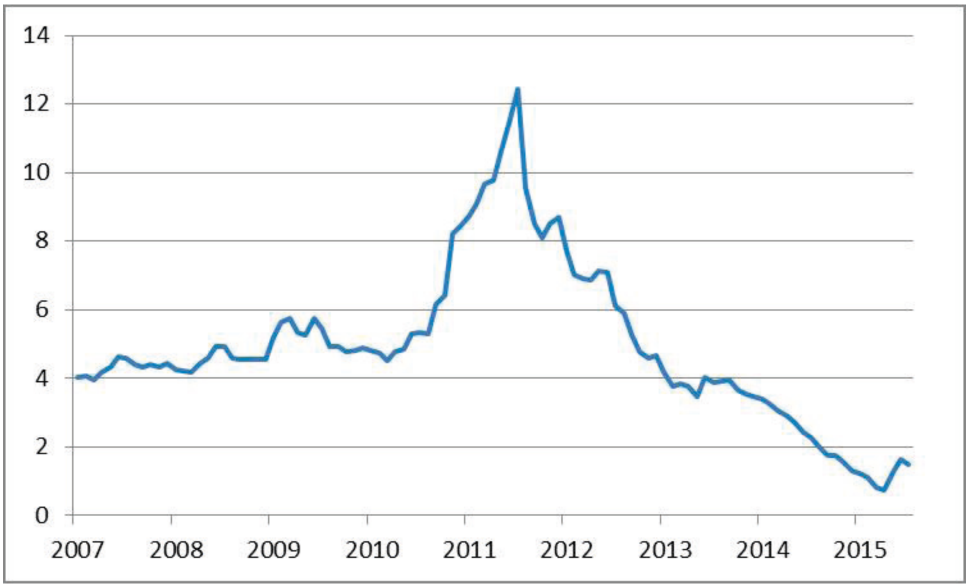
Ireland left the assistance programme at the end of 2013. According to the agreements made, Ireland has been subject to post-programme surveillance since that time. This will continue until at least 75% of the loans have been repaid. This is in order to reduce the risk of a member state returning to policies that may jeopardise its financial stability and its capacity to repay the loans. The European Commission and the European Central Bank (ECB) have already completed some activities as part of this monitoring. In their review of January 2015, these institutions remarked that the risk of non-repayment of the ESM loan was, at that time, very limited.

No information is available about the effectiveness of the emergency assistance to Ireland. Below you can see the situation in Ireland a number of years after emergency assistance began, using data from the ECB relating to three financial and economic indicators:

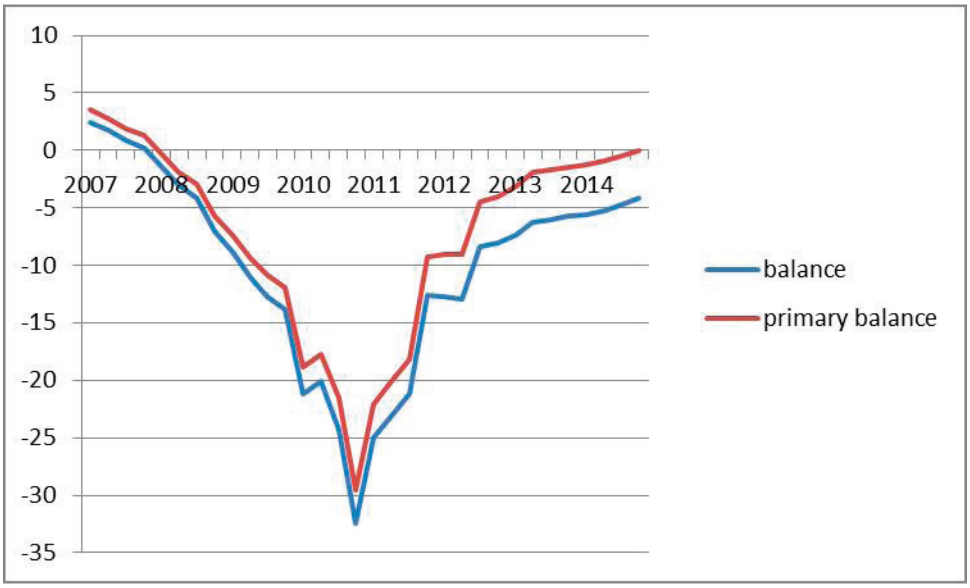
- Irish long-term bond yields (ten years) 2007-July 2015;
- Irish public sector borrowing requirement 2007-2014;
- Irish sovereign debt 2007-2014.

Bond yields fell after Ireland received emergency assistance from the euro area countries and the IMF, and now stand at just 1.5%. In addition, both sovereign debt and the budget deficit are returning to normal levels. When the deficit is corrected for expenditure on interest and repayments (primary balance), Ireland had no public sector borrowing requirement at all in late 2014.

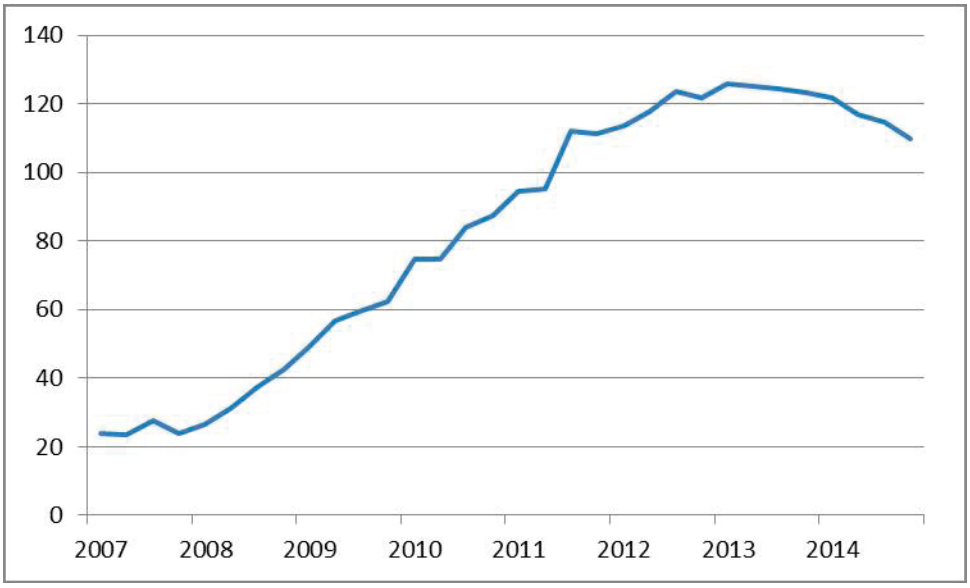
Irish long-term bond yields (percentage of GDP)



Irish budget deficit/surplus (percentage of GDP)

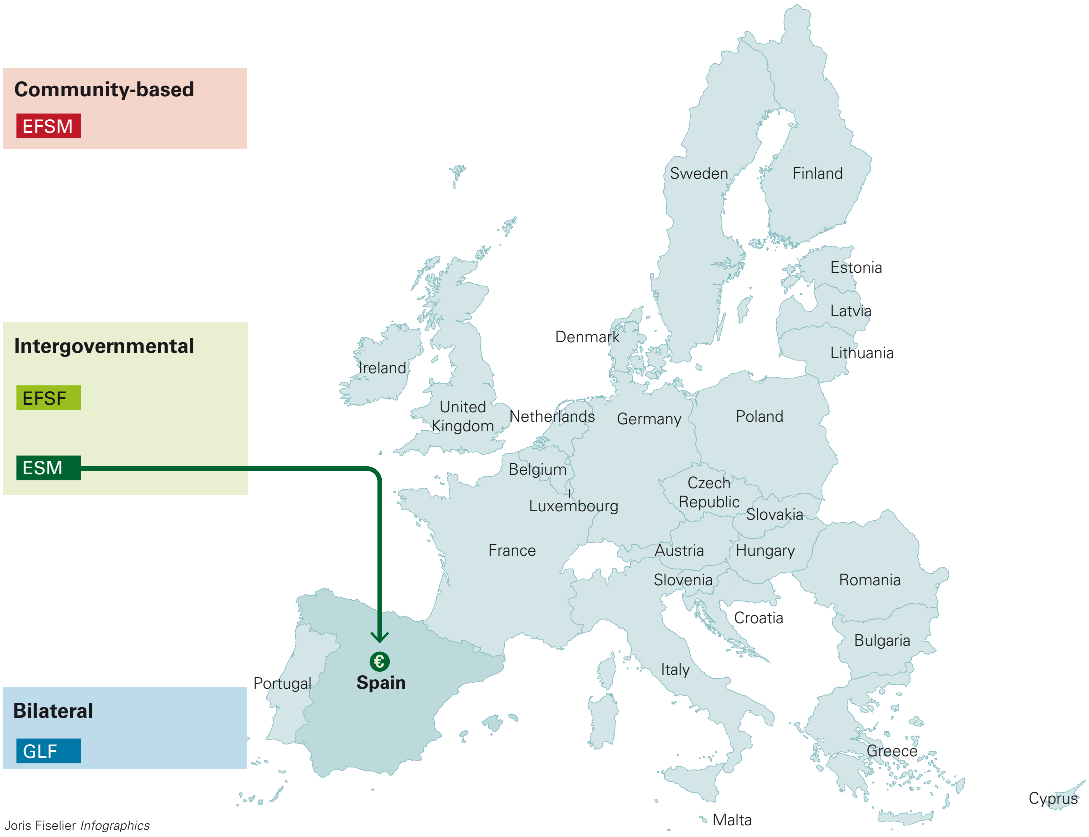


Irish sovereign debt (percentage of GDP)



Emergency assistance for Spain: ESM in practice

Between 2012 and 2013, Spain received emergency assistance from the European Stability Mechanism (ESM). The assistance programme for Spain aimed to restore the health and stability of the banking sector, ensuring that it would be subject to effective regulation and capable of enabling sustainable economic growth. Spain left the programme at the end of 2013.



What happened?

The problems in Spain were concentrated in the financial sector. The assistance, which was funded by the ESM, therefore primarily focused on the recapitalisation of banks.

- 26 October 2011: Council of Ministers urges Spain to implement further policy measures to tackle its economic problems and restore market confidence.
- 25 June 2012: Spain applies for financial support from the Eurogroup for the recapitalisation of Spanish banks.
- 4 July 2012: Spain reaches an agreement for an emergency loan from the European Financial Stability Facility (EFSF). After the creation of the ESM, the loan is provided as an ESM loan.
- 31 December 2013: The Spanish programme has ended.

How much emergency assistance did Spain need?

In mid-2012, a programme of up to €100 billion was agreed for Spain. At that time, the precise level of funds required was not yet known.

How much money did Spain receive and from which emergency funds?

The assistance to Spain was paid from the ESM in two tranches:

- December 2012: Initial tranche worth €39.5 billion;
- February 2013: A second (and final) tranche worth €1.8 billion.

The International Monetary Fund (IMF) provided technical support only.

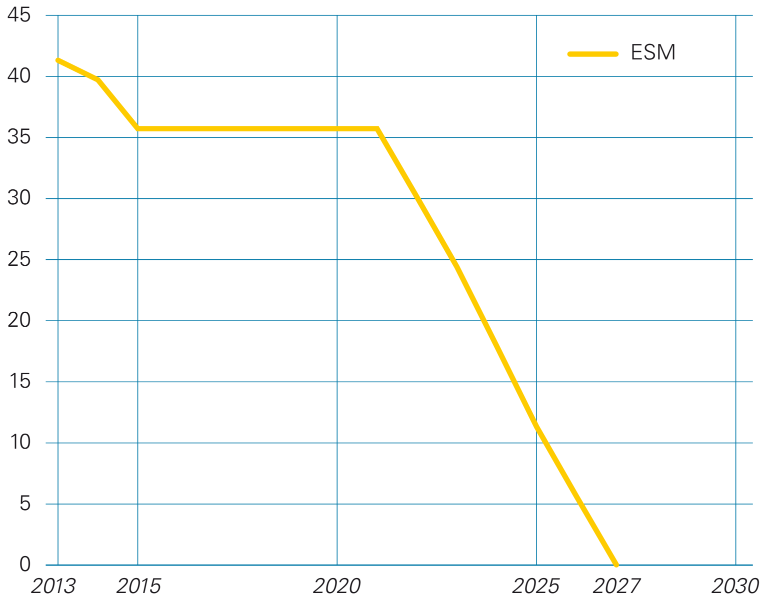
What did Spain use this money for?

Spain used all the emergency assistance for the recapitalisation of banks. The money was received by the Fondo de Reestructuración Ordenada Bancaria (FROB), or Fund for Orderly Bank Restructuring (FOBR) in English, and channelled to the relevant financial institutions under the full responsibility of the Spanish government.

When will Spain pay the money back?

All the emergency assistance from the EU was provided in the form of loans. Spain is required to repay the assistance provided. In July 2014, Spain repaid €0.3 billion of unused emergency assistance to the ESM and repaid €1.3 billion early. Spain made in 2015 another voluntary early repayment of € 4.0 billion. The rest of the emergency assistance will be repaid between 2022 and 2026.

Spain: summary of the outstanding loan from the ESM (in billions of euros)



Source: http://www.esm.europa.eu/

What is the situation in Spain now?

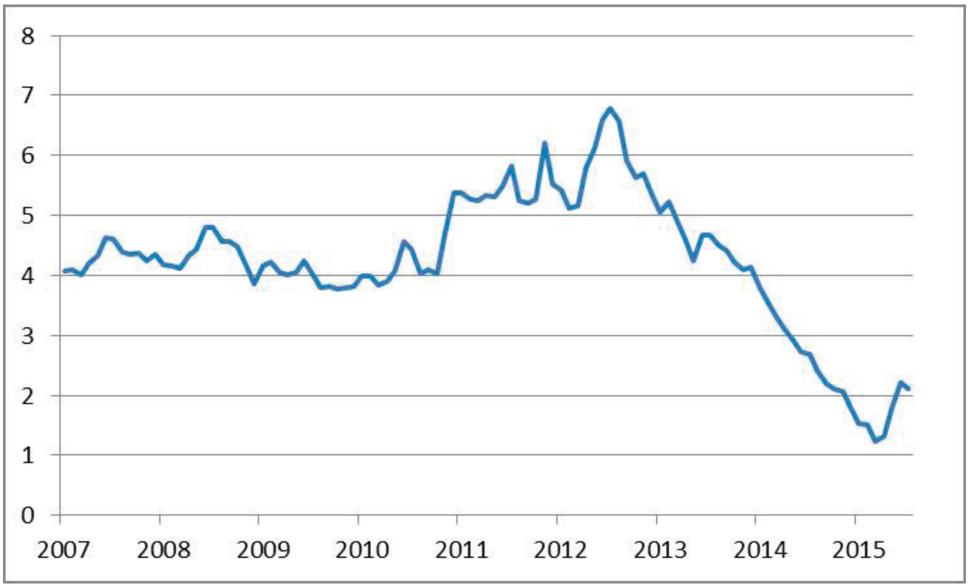
Spain left the ESM programme in December 2013. In accordance with the agreements made, Spain will remain subject to post-programme surveillance for the coming period. This will continue until at least 75% of the loans have been repaid. This is in order to reduce the risk of a member state returning to policies that may jeopardise its financial stability and its capacity to repay the loans. The European Commission and the European Central Bank (ECB) have already completed some activities as part of this monitoring phase. In their review of December 2014, these institutions remarked that the risk of non-repayment of the ESM loan was, at that time, very limited.

No information is available about the effectiveness of the emergency assistance provided to Spain. Below you can see the situation in Spain a number of years after emergency assistance began, using data from the ECB relating to three financial and economic indicators:

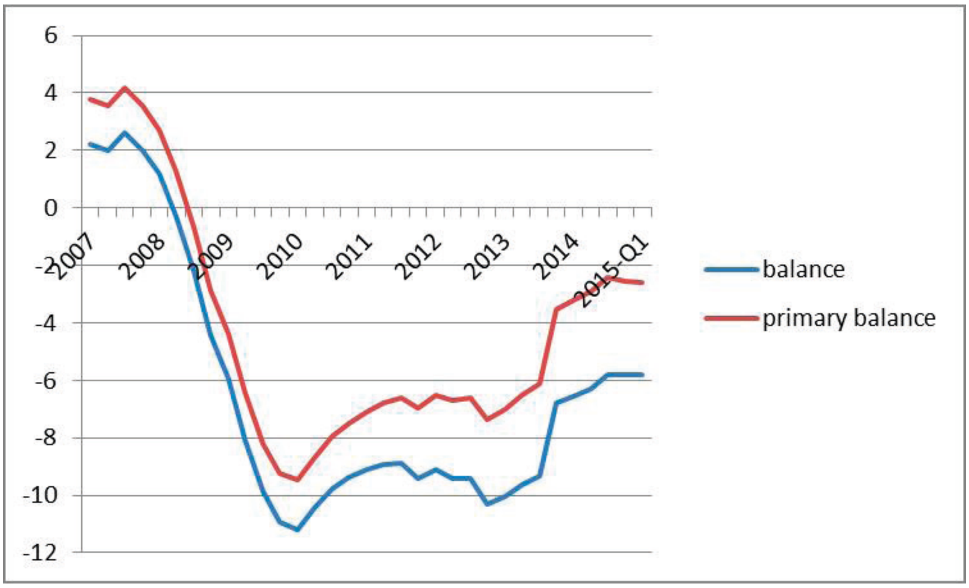
- Spanish ten-year bond yields 2007 - July 2015;
- Spanish public sector borrowing requirement 2007 - 2015 (first quarter);
- Total Spanish sovereign debt 2007 - 2015 (first quarter).

Both bond yields and the Spanish budget deficit have fallen since the completion of the assistance programme. When the deficit is corrected for expenditure on interest and repayments (primary balance), Spain had a public sector borrowing requirement of less than three percent in early 2015.

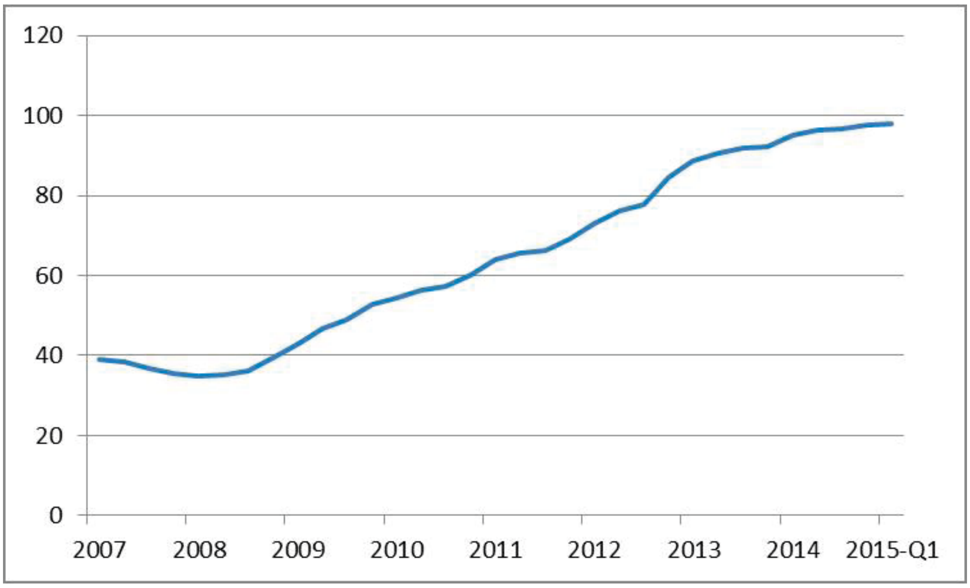
Spanish long-term bond yields (percentage of GDP)



Spanish budget deficit (percentage of GDP)



Spanish sovereign debt (percentage of GDP)



Appendix 3 Abbreviations used

GDP	Gross Domestic Product
BoD	Board of Directors
CBPP	Covered Bonds Purchase Programme
Council	Council of Ministers or Council of the European Union
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
EFF	Extended Fund Facility
EFSF	European Financial Stability Facility
EFSM	European Financial Stabilisation Mechanism
EMU	Economic and Monetary Union
ESM	European Stability Mechanism
EU	European Union
EU28	The 28 member states of the European Union
GLF	Greek Loan Facility
IMF	International Monetary Fund
MoU	Memorandum of Understanding
OMT	Outright monetary transactions
PSI	Private Sector Involvement
PwC	Pricewaterhouse Coopers
SBA	Stand-By Arrangement
SMP	Securities Markets Programme
TFEU	Treaty on the Functioning of the European Union
UN	United Nations

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