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**EUROPEAN COUNCIL  
THE PRESIDENT**



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**Remarks by President of the European Council  
Herman Van Rompuy  
following the meeting of the Euro Summit**

We are all aware that the situation is serious. From a series of national debt crises, the situation was evolving into a systemic concern, threatening the stability of the Eurozone as whole. This threat has to be contained. We therefore took last Sunday and tonight important decisions on the four fronts where action is needed.

1. A sustainable solution for Greece. We want to put Greece on a track where, in 2020, it will have reduced its public debt to 120 pct. of GDP. Since July, market conditions worsened. The new programme includes an extra effort by the official sector. A new EU-IMF programme of up to 100 billion will be put in place by the end of the year.

It also includes a voluntary contribution by private creditors who had lent to Greece. It was agreed by them tonight and amounts to a nominal discount of 50 pct on notional Greek debt.

2. A sufficient firewall against contagion, thanks to an agreement to multiply up to fivefold the firepower of the European Financial Stability Facility (EFSF) rescue fund. The leverage could be around 1 trillion, under certain assumptions about market conditions, the set-up and investors' responsiveness in view of economic policies.

We have identified two approaches for the EFSF. The first one aims at giving credit enhancement to sovereign bonds issued by Member States. Under the second approach, the Fund could set up one or several Special Purpose Vehicles to finance its operations. Each option could lead to leverage of up to 4 or 5 times. They can be used simultaneously, so as to increase the robustness of the financing strategy.

**P R E S S**

Dirk De Backer - Spokesperson of the President -  
Jesús Carmona - Deputy Spokesperson of the President -

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3. We foster confidence in the European banking sector. We approved a co-ordinated scheme to recapitalise banks across Europe. The ratio of highest quality capital will be increased to 9%. This will enable the banks to withstand shocks important in the current exceptional circumstances. State guarantees to improve the longer term funding will safeguard the flow of credit to the real economy. It is essential for the prospects for growth.

4. Further fiscal consolidation by those Member States who need more sustainable public finances and more structural reforms.

In this context, the Euro Summit welcomes the clear commitment of Italy to achieve these objectives and to abide by the timetable it set itself. This ambitious package, in particular the measures to increase competitiveness and to liberalise the economy, now need implementation. We also commend Italy's commitment to achieve a balanced budget by 2013. We take note of the plan to increase the retirement age to 67 years by 2026; the way to get there should be defined by the end of this year.

Let me make a general remark here.

Compared to eight or ten years ago, the pressure which leaders put on each other has become much more effective, as the events of the last days show. Today no government can afford to underestimate the possible impact of for instance public debts or housing bubbles in another Eurozone country on its own economy; they would be punished by the voters, and by the markets. Peer pressure has become more effective, because the money of their taxpayers is at stake.

Yet we want to further improve the economic governance framework. Today we decided to go even beyond the six-pack legislation on some points, as of now. We also approved ten measures to improve the governance of the euro area. Different other ideas have been suggested to reinforce fiscal discipline.

Therefore the Euro Summit decided to reflect "on a further strengthening of economic convergence within the euro area, on improving fiscal discipline and deepening economic union, including exploring the possibility of limited Treaty changes". The full European Council will revert to the issue in December on the basis of an interim report by myself in close cooperation with Presidents Barroso and the President of the Eurogroup. The report will be finalised by March 2012.

We do not want to repeat some of the errors from the recent past. In taking today's decisions, we lay the foundations for our future. All Members of the Euro Summit are determined to follow this path.