

Statement by IMF Managing Director Christine Lagarde on the Eurozone Leaders' Summit

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114

Ms. Christine Lagarde, Managing Director of the International Monetary Fund (IMF), issued the following statement in Brussels¹:

"I welcome the steps taken today by the Eurozone Leaders toward establishing a comprehensive framework to address the crisis facing the region, and I am encouraged by the substantial progress made on a number of fronts.

First, on Greece, the agreement reached on key parameters for private sector involvement is of the utmost importance to improve debt sustainability. It is based on a realistic assessment of the Greek economy and an appropriate burden-sharing between the private and official sectors.

More immediately, I intend to recommend approval to the IMF's Executive Board of disbursement of the next tranche of our loan under the current program. The continued commitment of the Greek authorities to implement agreed economic reforms remains, of course, paramount.

Second, the decision to leverage the capacity of the European Financial Stability Facility (EFSF), including through the use of new Special Purpose Vehicles (SPVs), can strengthen Europe's defenses against contagion and help ensure the proper functioning of the sovereign debt market. In the period ahead, it will be important to detail further the modalities of how this enhanced EFSF will operate and deliver the scale of support envisaged.

Third, the agreement reached on a coordinated mechanism to recapitalize banks and strengthen their funding is a major step forward. Restoring growth depends on a financially sound banking sector and reinforcing the banks' capital buffers is key. This should be achieved mainly through the provision of additional capital and not by lower lending within or across countries.

Fourth, I welcome the decisions to strengthen economic and fiscal coordination within the euro area and the commitment to make the economic union commensurate with the monetary union.

Finally, I can assure you that the IMF will continue to play its part in supporting the efforts made today to address the challenges facing the Euro Area and to restore growth to its full potential."

¹Issued on October 27, 2011 in Brussels time.