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GOVERNADOR

Nº GOV/2013/0509

Ms Sharon Bowles

Chairwoman

Committee on Economic and Monetary Affairs

European Parliament

Lisbon, 12 December 2013

Dear Madam,

Let me first thank you for your letter on the European Parliament's initiative to evaluate the structure, the role and operations of the troika (European Commission, European Central Bank and International Monetary Fund) actions in euro area programme countries. I am therefore very pleased to contribute to the issues raised in the questionnaire.

In April 2011 Portugal requested the negotiation of an Economic Adjustment Programme with the troika. The Programme, signed in the following May, aims at supporting the estimated financial needs for the period 2011-2014. It comprises a 78 billion euro envelope to be financed by the European Union (through loans from the European Financial Stabilisation Mechanism and the European Financial Stability Facility) and the IMF (under an Extended Fund Facility). The Programme policies address three main pillars: restoring confidence and fiscal sustainability; safeguarding financial stability; and growth-enhancing structural reforms.

The letters of intent express the commitment of the Portuguese Government and central bank to the Programme's strategy and policies. The memoranda of understanding attached to those letters detail and specify policies, actions, targets, criteria and



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benchmarks. Periodic discussions and reviews assess and adjust the Programme as agreed. The financial disbursements are strictly conditional upon and testify the successful completion of the reviews.

The political negotiations of the Programme are, of course, led by the Portuguese Government.

In accordance with the mission and tasks enshrined in the Organic law of the Banco de Portugal, the Bank's primary focus rests on the financial system pillar, while also acting as advisor to the Government. Staff missions and reports by the troika provide for the necessary technical support. In this regard, Banco de Portugal assistance pertains mainly to the financial system issues.

By verifying the thoroughness of implementation and the results achieved, the public disclosure of the troika reports and assessments is also relevant in paving the way to restore international credibility and resume external credit financing.

With the 10th review now unfolding, our experience vis-à-vis the cooperation with the troika institutions and teams remains very positive.

I welcome the European Parliament's initiative and the opportunity to share these views with you.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Carlos Silva Costa'.

Carlos Silva Costa