



**COUNCIL OF
THE EUROPEAN UNION**



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Council approves loan to Latvia to support its medium-term balance of payments

The Council today adopted decisions¹ approving the granting of a loan of EUR 3,1 billion to Latvia to enable it to deal with the country's current financial crisis.

The loan is part of a EUR 7,5 billion package of assistance to support Latvia's balance of payments in the medium term. The package also includes EUR 1,7 billion from the International Monetary Fund as well as contributions from the World Bank, the European Bank for Reconstruction and Development and other European countries: Czech Republic, Denmark, Estonia, Norway, Poland, Sweden and Finland.

The EU loan will be made available over a three-year period, with a maximum average maturity of seven years.

¹ The decisions were adopted at a meeting of the Economic and Financial Affairs Council.

P R E S S

The assistance will help Latvia cope with pressure on its capital and financial markets, which results from a deterioration in market sentiment and concerns about the health of its economy, given the imbalances related to its external debt, weakening public finances and high rates of cost and price inflation. The Latvian banking sector has experienced serious liquidity and confidence problems, and the level of foreign currency reserves has decreased as the central bank intervened to preserve the currency peg.

The loan is conditional on the Latvian authorities taking measures to stem immediate liquidity pressures, to restore long-term stability by strengthening the banking sector and to correct fiscal imbalances. Latvia has agreed to pursue domestic policies to improve competitiveness, whilst maintaining a narrow-band exchange rate at its existing central rate.

These measures include an immediate and sustained fiscal consolidation, a comprehensive bank resolution strategy, a strengthened crisis management capacity for Latvia's regulatory authorities, as well as structural reforms and other measures.

The Council decisions are based on the EU's support facility¹ for medium-term assistance to the balances of payments of non-euro-area member states in the event of financial difficulty.

The Council granted a similar loan to Hungary at its meeting on 4 November (*doc. [15103/08](#)*), and on 2 December raised the ceiling for assistance available under the support facility, from EUR 12 billion to EUR 25 billion (*doc. [16565/1/08 REV 1](#)*).

¹ Established under regulation 332/2002