

**APPENDIX 1. AN IMF-CENTRIC TIMELINE OF KEY EVENTS DURING THE  
EURO AREA CRISIS, SEPTEMBER 2008–DECEMBER 2014**

**2008**

**September 30**

*Irish government unveils a two-year blanket guarantee to safeguard the deposits and debts at six financial institutions.*

**2009**

**January 14**

*Standard & Poor's (S&P) downgrades Greece's sovereign debt. In the following days, Spain loses its AAA sovereign credit rating, and Portugal's credit rating is downgraded.*

**March 30**

*Ireland's AAA sovereign credit rating is downgraded by S&P and Fitch Ratings, and is cut further in the following weeks by S&P and Moody's.*

**October 4**

*George Papandreou leads the Socialist (Pasok) Party to a landslide victory in Greek elections. Weeks later, the new government announces that the fiscal deficit in 2009 is likely to be 12.8 percent of GDP, more than three times the previous forecast.*

**December 8–22**

*Fitch, S&P, and Moody's downgrade Greece's sovereign credit rating.*

**2010**

**February 11**

*EU leaders, following their first emergency summit on Greece, announce that they "will take determined and coordinated action, if needed, to safeguard financial stability in the euro area." IMF offers to provide "expertise and support as necessary."*

**March 25**

*Euro area leaders announce their readiness to contribute to coordinated bilateral loans to Greece "[a]s part of a package involving substantial IMF financing and a majority of European financing."*

**April 11**

*Euro area member states agree on the terms of financial support to Greece. IMF, in liaison with the EC and the ECB, begins discussions with Greek authorities.*

**April 21**

*Greece's ten-year borrowing costs reach 8.7 percent. On April 23, the government requests a Stand-By Arrangement (SBA) with the IMF.*

**April 27**

*S&P cuts Greece's credit rating to speculative-grade status. Spain and Portugal have their credit ratings lowered.*

**May 2**

IMF mission, in consultation with representatives from the EC and the ECB, reaches agreement with **Greek** authorities on a three-year €30 billion SBA as part of a cooperative package of financing with the EU. IMF Executive Board approves the SBA a week later on May 9, under the Fund's fast-track Emergency Financing Mechanism.

**May 7–9**

*ECB announces its decision to suspend minimum credit rating thresholds for Greek government debt used as collateral in Eurosystem refinancing operations. Euro area finance ministers announce the creation of the European Financial Stability Facility (EFSF) and the European Financial Stabilization Mechanism (EFSM), with a combined volume of up to €500 billion. At the same time, ECB announces exceptional measures including secondary-market sovereign debt purchases within the framework of the Securities Market Program (SMP); initial purchases mainly focus on Greek government bonds.*

**July 23**

*The results of the first pan-European stress tests of the banking system are published. Only seven banks fail the stress tests, with an aggregate capital shortfall of €3.5 billion.*

**September 7**

*Irish government announces an extension of the state blanket guarantee for short-term bank liabilities to end-December 2010. A few weeks later, Irish Finance Minister says there will be "a very substantial spike" in Ireland's general government deficit in 2010 as a result of the capital support being provided to the banking system.*

**September 10**

IMF Executive Board completes the first review of **Greece's** performance under the SBA-supported program and approves disbursement of €2.57 billion.

**September 29**

*EC presents a package of six legislative proposals aimed at reforming economic governance and strengthening the framework for preventing excessive imbalances and excessive deficits.*

**October 18**

*German Chancellor and French President agree, in Deauville, France, to create a permanent crisis resolution mechanism that provides for the possibility of sovereign debt restructuring.*

**November 4**

*Ireland's borrowing costs rise to 7.7 percent as the government announces record budget cuts.*

**November 21**

*Irish government requests financial assistance to safeguard financial stability.*

**November 28**

IMF mission reaches agreement with **Irish** authorities on a financing package totaling €85 billion, of which the Fund would contribute €22.5 billion through a three-year arrangement under the Extended Fund Facility (EFF).

**December 7**

IMF Managing Director visits **Greece** to discuss economic developments with Greek authorities, members of parliament, and the opposition.

**December 9**

*Irish Parliament votes to approve the EU-IMF financial assistance program for Ireland.*

**December 16**

IMF Executive Board approves the three-year €22.5 billion Extended Arrangement for **Ireland** under the Fund's fast-track Emergency Financing Mechanism.

**December 17**

IMF completes the second review of **Greece's** economic performance under the SBA- supported program and approves disbursement of €2.5 billion. *On the same day, EU leaders agree to create a permanent debt-crisis mechanism—the European Stability Mechanism (ESM)—in 2013.*

<b>2011</b>
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**February 11**

*Greek government accuses the EU and IMF of interfering in its domestic affairs after staff teams from the IMF, EC, and ECB on the third review mission to Greece conclude that "major reforms still need to be designed and implemented."*

**February 25**

*Ireland holds general elections. The ruling Fianna Fail party is swept from power and Enda Kenny (Fine Gael) is sworn in as the new Prime Minister.*

**March 11**

*Euro area leaders agree to lower the interest rate on the emergency loans to Greece to 5 percent and to increase the maturity of the loans to 7.5 years. Leaders agree to make the EFSF's €440 billion lending capacity fully effective, and to allow the EFSF and ESM to intervene in the primary market for sovereign debt "in the context of a program with strict conditionality."*

**March 14**

IMF completes the third review of **Greece's** performance under the SBA-supported program and approves disbursement of €4.1 billion.

**March 23**

*Portugal's Prime Minister Jose Socrates resigns after opposition parties reject the fourth package of austerity measures in a year; his resignation leads to the calling of a snap election two years ahead of schedule.*

**April 8**

*After further credit downgrades by Fitch and Moody's, the Portuguese government requests financial assistance from the EU and IMF.*

**May 5**

IMF mission reaches agreement with **Portuguese** authorities on a three-year €26 billion arrangement under the EFF, as part of a financing package with the EU. IMF Executive Board approves the arrangement two weeks later, under the Fund's fast-track Emergency Financing Mechanism.

**May 16**

IMF completes the first and second reviews of **Ireland's** performance under the EFF-supported program and approves disbursement of €1.58 billion.

**May 17**

*European finance ministers float the idea of talks with bondholders to extend Greece's debt-repayment schedule. ECB says it will not accept Greek bonds as collateral if maturities are extended.* IMF confirms that the Fund will be unable to provide additional financing to Greece without assurance that the next year's financing gap would be filled.

**May 18**

IMF Managing Director Strauss-Kahn resigns.

**June 5**

*Center-right Social Democrats win a conclusive victory over the center-left Socialists in Portugal's general elections.*

**June 21**

*Pedro Passos Coelho is sworn in as the new Prime Minister of Portugal.*

**June 29**

*Greek parliament backs a five-year austerity plan and approves implementation laws.*

**July 5**

IMF Executive Board selects French Finance Minister Christine Lagarde as IMF Managing Director for a five-year term.

**July 8**

IMF Executive Board completes the fourth review of **Greece's** performance under the SBA-supported program and approves disbursement of €3.2 billion.

**July 11**

IMF publishes a staff paper on "Lessons from the European Financial Stability Framework Exercise," highlighting a need to strengthen the effectiveness of existing institutions; adopt a consistent design across all elements of the financial stability framework; and fill in an important gap in the existing framework by ensuring effective crisis management and resolution.

**July 15**

*The results of the second round of pan-European stress tests are made public. Eight out of 906 European banks fail (five in Spain, two in Greece, and one in Austria) and another 16 banks are considered in the danger zone.*

**July 21**

*Euro area leaders and EU institutions decide on a new package of measures to end the crisis and prevent contagion, including: a new program for Greece; voluntary private sector involvement, with a net contribution corresponding to a 21 percent haircut, to strengthen Greek public debt sustainability; a secondary market debt buy-back program for Greece; and a lowering of the interest rate on assistance loans (to about 3.5 percent) and a lengthening of their maturities (from 15 to 30 years). The agreement also includes measures to expand the powers of the EFSF/ESM.*

**August 4**

*ECB reactivates secondary market purchases and starts purchasing Italian and Spanish bonds.*

**August 12**

*Italian Prime Minister announces a new austerity package to shore up strained public finances.*

**August 29**

*IMF Managing Director calls for an "urgent," potentially mandatory, recapitalization of Europe's banks in a speech at Jackson Hole.*

**September 2**

*IMF/EC/ECB team suspends **Greece's** fifth review after finding delays in the implementation of the medium-term fiscal plan and structural economic reforms.*

**September 2**

*IMF completes the third review of **Ireland's** performance under the EFF-supported program and approves disbursement of €1.48 billion.*

**September 12**

*IMF completes the first review of **Portugal's** performance under the EFF-supported program and approves disbursement of €3.98 billion.*

**September 14**

*Italian parliament gives final approval to a much-altered austerity plan after the government wins a confidence vote on the package earlier in the day.*

**September 21**

*IMF Global Financial Stability Report estimates that losses due to exposures to sovereign bonds of "high-spread" euro area countries could potentially reach €200 billion for EU banks.*

**October 4–18**

*Spain and Italy are hit by a wave of rating downgrades by three main rating agencies.*

**October 11**

Staff teams from the IMF, EC, and ECB conclude their fifth review mission to **Greece** and note that: "The success of the program continues to depend on mobilizing adequate financing from private sector involvement (PSI) and the official sector."

**October 26**

*EU leaders hold yet another crisis summit. After a night of tense negotiations, leaders agree to a 50 percent haircut on Greek bonds held by private investors and to extend a new financial assistance package worth €130 billion to Greece. Leaders also agree to leverage the resources of the EFSF to boost its firepower to €1 trillion.*

**November 3**

*Greek Prime Minister Papandreou calls for a new coalition to negotiate the new €130 billion financing package. Lucas Papademos is chosen to lead an interim coalition government, following Papandreou's resignation.*

**November 4–16**

*Italian government requests monitoring of its economic policy implementation by the IMF as part of the commitments made to its euro area partners in October. Italian Prime Minister loses his majority in Parliament and resigns four days later. Mario Monti is appointed to head a new government.*

**December 5**

IMF Executive Board completes the fifth review of **Greece's** performance under the SBA-supported program and approves disbursement of €2.2 billion.

**December 9**

*Twenty-five EU leaders agree on a new "fiscal compact." Leaders also agree to deploy the EFSF's leverage options; bring forward the entry into force of the ESM to July 2012; reassess the overall ceiling of the EFSF/ESM; increase the IMF's resources by up to €200 billion; and reaffirm the "unique and exceptional" nature of the decisions concerning private sector involvement in Greece.*

**December 8**

*ECB announces additional measures to support bank lending and liquidity, including by increasing collateral availability and by conducting two longer-term refinancing operations (LTROs).*

**December 15**

IMF Executive Board completes the fourth review of **Ireland's** performance under the EFF-supported program and approves disbursement of €3.9 billion.

**December 19**

IMF Executive Board completes the second review of **Portugal's** performance under the EFF-supported program and approves disbursement of €2.9 billion.

**December 22**

*Italy adopts an emergency ("Save Italy") austerity budget. IMF staff team visits Italy to discuss the modalities for future monitoring missions.*

<b>2012</b>
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**February 21**

*After long negotiations, euro area leaders agree on the terms for a second financial assistance program for Greece, involving elements of private sector involvement (PSI) aimed at reducing Greek public debt to around 120 percent of GDP by 2020. Greece launches a bond swap offer to private holders of its bonds on February 24.*

**February 27**

IMF Executive Board completes the fifth review of **Ireland's** performance under the EFF-supported program and approves disbursement of €3.2 billion.

**March 2**

*EU member states (except the U.K. and the Czech Republic) sign the Treaty on Stability, Convergence, and Governance in the Economic and Monetary Union (the "fiscal compact").*

**March 9**

*Greek Finance Ministry announces an 85.8 percent participation rate in the PSI operation, cutting the debt by about €105 billion. Euro area finance ministers formally approve the second financial assistance package for Greece in the following days.*

**March 15**

IMF Executive Board approves a four-year €28 billion arrangement under the EFF for **Greece**.

**March 30**

*Euro area finance ministers agree to expand their financial firewall to €700 billion by combining the resources of the EFSF and ESM.*

**April 4**

IMF completes the third review of **Portugal's** performance under the EFF-supported program and approves disbursement of €5.17 billion.

**April 25**

IMF FSAP mission to **Spain** announces that stress tests covering more than 90 percent of the domestic banking sector identify ten banks as "vulnerable."

**May 6**

*In Greek legislative elections, the two dominant parties—the center-right New Democracy and the Socialists (Pasok)—fail to secure enough votes for a majority in Parliament. A second snap election is called.*

**June 8**

IMF Executive Board discusses the 2012 Financial System Stability Assessment for **Spain**. FSAP stress tests indicate that several banks would need €40 billion in extra capital.

**June 9**

*Spain requests financial assistance from the EU to recapitalize its banking sector. Eurogroup agrees to provide assistance to the Spanish government of up to €100 billion, and announces that the IMF would help monitor reforms in Spain's banking sector.*

**June 13**

IMF completes the sixth review of **Ireland's** performance under the EFF-supported program and approves disbursement of €1.4 billion.

**June 17**

*The New Democracy party ekes out a narrow victory in Greek elections and forms a coalition government. Antonis Samaras is sworn in as the new Prime Minister.*

**June 25**

*Cyprus requests financial support from the euro area through the EFSF/ESM and invites the IMF to participate in the financial assistance.*

**June 27**

IMF sends a team to Cyprus to prepare for discussions on an economic program.

**June 29**

*Euro area leaders endorse the concept of banking union and open the door to possible direct bank recapitalizations by the ESM once an effective single supervisory mechanism is established.*

**July 16**

IMF completes the fourth review of **Portugal's** performance under the EFF-supported program and approves disbursement of €1.48 billion.

**July 20**

*Eurogroup agrees on the details of the financial assistance to Spain.*

**July 26**

*ECB President announces the ECB's willingness to do "whatever it takes to preserve the euro."*

**July 26**

*Ireland returns to international bond markets with the sale of a five-year bond, its first new issue of long-dated debt since September 2010.*

**August 5**

Staff teams from the IMF, EC, and ECB visit **Greece** to discuss the implementation of the program and agree on the need to "strengthen policy efforts to achieve its objectives."

**September 5**

IMF Executive Board completes the seventh review of **Ireland's** performance under the EFF-supported program and approves disbursement of €0.92 billion.

**September 6**

*ECB announces a new framework, Outright Monetary Transactions (OMT), for intervention in sovereign bond markets of countries accepting EFSF and ESM support for their macroeconomic adjustment programs and adhering to the associated structural and fiscal reform efforts.*

**September 7**

*Portuguese government announces a fiscal devaluation to be included in the 2013 budget, involving lowering employers' social security contributions and raising workers' contributions.*

**September 21**

*Following a street protest by hundreds of thousands of demonstrators, Portuguese government abandons the proposed fiscal devaluation.*

**October 8**

*ESM is formally inaugurated in Luxembourg.*

**October 9**

IMF's *World Economic Outlook* shows that fiscal multipliers have been underestimated, resulting in the negative short-term effects of fiscal cutbacks being larger than expected.

**October 11**

At the 2012 IMF-World Bank Annual Meetings, IMF Managing Director urges countries to refrain from new austerity measures and argues that struggling European countries should be given more time to reduce their budget gaps. In her report to the IMFC the Managing Director calls for the ESM and the OMT to be deployed and for banking union to be advanced.

**October 24**

IMF Executive Board completes the fifth review of **Portugal's** performance under the EFF-supported program and approves disbursement of €1.5 billion.

**October 26**

IMF conducts first financial sector monitoring mission to **Spain** and concludes that all deadlines established in the EU Memorandum of Understanding have been met.

**November 26**

*Euro area finance ministers reach agreement with the IMF to complete the first EFF-supported program review for Greece. The deal includes Greek debt buybacks, return of SMP profits to Greece, reduction of interest rates, significant extension of maturities, and the deferral of interest rate payments.*

**December 3**

*Greek government launches a debt buyback scheme seeking to retire about half of the €62 billion in debt owed to private creditors.*

**December 17**

IMF Executive Board completes the eighth review of **Ireland's** performance under the EFF-supported program and approves disbursement of €0.89 billion.

**December 20**

IMF mission announces conclusions of the first-ever EU-wide financial system stability assessment. The mission recommends: further steps towards banking union; reinvigorating the single financial market in Europe; improved and expanded stress testing; measures to separate bank and sovereign risk; and development of an effective crisis management framework to minimize costs to taxpayers.

<b>2013</b>
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**January 16**

IMF Executive Board completes the first and second reviews of **Greece's** performance under the EFF-supported program and approves disbursement of €3.24 billion. IMF Executive Board also completes the sixth review of **Portugal's** performance under the EFF-supported program and approves disbursement of €838.8 million.

**January 24**

*Portugal sells €2.5 billion of five-year bonds through banks, the first offering with that maturity in almost two years.*

**February 4**

IMF conducts the second financial sector monitoring mission to **Spain**.

**February 14**

IMF publishes a Staff Discussion Note, "Banking Union for the Euro Area," and three background technical notes which elaborate the case for, and the design of, a banking union for the euro area.

**February 24**

*Nicos Anastides wins the presidential election in Cyprus. He is expected to conclude negotiations with international lenders over the rescue package that Cyprus had applied for in June 2012.*

**March 13**

*Ireland sells €5 billion of new benchmark ten-year bonds to meet nearly all its funding needs through the next year.*

**March 22**

IMF Executive Board completes the ninth review of **Ireland's** performance under the EFF-supported program and approves disbursement of €0.97 billion.

**April 3**

IMF reaches a staff-level agreement with the **Cypriot** authorities on an economic program that would be supported by the IMF jointly with the EU and the ECB.

**April 5**

*Portugal's Constitutional Court rejects four out of nine contested austerity measures in this year's budget.*

**April 16**

IMF *World Economic Outlook* urges ECB to keep monetary policy very accommodative and to make "OMTs ... available to countries with programs that are delivering on adjustment."

**May 7**

*Portugal issues its first new government bonds in two years, in a heavily-oversubscribed offer of ten-year debt that raises €3 billion.*

**May 15**

IMF Executive Board approves a three-year €1 billion arrangement for **Cyprus** under the EFF as part of a cooperative package of financing with the ESM.

**May 31**

IMF Executive Board completes the third review of **Greece's** performance under the EFF-supported program and approves disbursement of €1.74 billion. The Board also discusses the IMF's ex post evaluation of the 2010 SBA with Greece.

**June 3**

IMF conducts the third financial sector monitoring mission to **Spain**.

**June 12**

IMF Executive Board completes the seventh review of **Portugal's** performance under the EFF-supported program and approves disbursement of €657.47 million.

**June 17**

IMF Executive Board completes the tenth review of **Ireland's** performance under the EFF-supported program and approves disbursement of €0.95 billion.

**July 1**

*ESM becomes the sole and permanent mechanism for responding to new requests for financial assistance by euro area member states; EFSF remains active in financing the ongoing programs.*

**July 29**

IMF Executive Board completes the fourth review of **Greece's** performance under the EFF-supported program and approves disbursement of €1.72 billion.

**August 29**

*Portugal's Constitutional Court rejects a bill that would effectively allow the state to fire public sector workers.*

**September 16**

IMF Executive Board completes the first review of **Cyprus'** performance under the EFF-supported program and approves disbursement of €84.7 million.

**September 26**

IMF Executive Board completes the eleventh review of **Ireland's** performance under the EFF-supported program and approves disbursement of €770 million.

**September 30**

IMF conducts the fourth financial sector monitoring mission to **Spain**.

**November 8**

IMF Executive Board completes the eighth and ninth review of **Portugal's** performance under the EFF-supported program and approves disbursement of €1.91 billion.

**November 14<sup>3</sup>**

*Euro area finance ministers agree to let Spain exit the financial assistance program for its banking sector in January 2014 without drawing more European funds.*

**December 13**

IMF Executive Board completes the twelfth and final review of **Ireland's** performance under the EFF-supported program and approves disbursement of €0.65 billion. The extended arrangement expires on December 15.

**December 16**

IMF conducts the fifth and final financial sector monitoring mission to **Spain**.

**December 18**

*EU finance ministers agree on the design of the Single Resolution Mechanism.*

<b>2014</b>
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**January 22**

*Greece's highest administrative court reverses wage cuts that were imposed by the government in 2012 on police and armed forces to comply with the terms of the country's EU/IMF program.*

**February 12**

IMF Executive Board completes the tenth review of **Portugal's** performance under the EFF-supported program and approves disbursement of €0.91 billion.

**April 9**

*Greece returns to global capital markets for the first time since 2010, raising €3 billion in a five-year bond deal with a lower-than-expected yield of 4.95 percent.*

**April 17**

IMF Executive Board completes the eleventh review of **Portugal's** performance under the EFF-supported program and approves disbursement of €851 million.

**May 30**

*Portugal's Constitutional Court strikes down some austerity measures imposed at the start of the year, thus requiring the government to implement compensatory measures in order to reach its fiscal targets.*

**May 30**

IMF Executive Board completes the fifth review of **Greece's** performance under the EFF-supported program and approves disbursement of €3.41 billion. In light of the delays in program implementation, the Board also approves the authorities' request for re-phasing three disbursements evenly over the remaining reviews in 2014.

**June 12**

*Portuguese government decides to allow the EFF-supported program to expire at the end of June without completing the twelfth and final review and without receiving the final tranche.*

**September 12**

*Euro area finance ministers approve Ireland's plan to repay its IMF loan ahead of schedule.*

**October 31**

*ECB takes over the role of banking supervisor for the euro area's 120 largest banks under the Single Supervisory Mechanism.*

**December 18**

*Irish government completes the early repayment of almost half of the loans it received from the IMF under its 2010 Extended Arrangement.*