

**European Parliament's Own Initiative Report on the Troika**  
**Questionnaire sent to MS under a Financial Assistance Programme**

Central Bank of Ireland, December 2013

**1. If applicable, why did your country decide to request a financial assistance programme?**

By late 2010, the economic and financial pressures facing Ireland were intense. Deposit outflows and a sharp rise in the secondary market yield on Government securities convinced the Central Bank of Ireland (CBI) that no safe alternative remained for the Government but to seek financial assistance from the EU and the IMF. The Governor of the CBI advised the Minister for Finance of this. Against this background and following preliminary discussions, Ireland requested financial assistance from the EU and the IMF. A programme of reforms was agreed as part of the package, the objective of which was to restore confidence and break the adverse feedback loop between low growth, fiscal sustainability concerns and banking vulnerabilities.

**2. What was your role and function in the negotiation and set-up of the financial assistance programme for your country?**

While the pre-negotiation discussions and the Programme negotiations were led by the Minister for Finance, and at the technical level by officials of the Department of Finance, the CBI was centrally involved in all of the discussions and intensively on the financial sector aspects of the Financial Assistance Programme, specifically the financial policies and measures to be implemented by the CBI and the Irish Government over the period end-2010 to 2013 and the related Programme conditionality. As is customary in IMF programmes, the Governor of the CBI was a signatory to the December 2010 Letters of Intent to the EU and the IMF and the accompanying memoranda.

**3. What was the role of the national Parliament in the negotiation of the MoU? How did the government present the text to the Parliament? How did the Parliament adapt the final MoU? Did social partners take part in the discussion on MoU?**

Question not applicable to the CBI

**4. How much leeway did you have to decide upon the design of the necessary measures (consolidation or structural reforms)? Please explain.**

Most of what was agreed on the financial sector aspects of the Financial Assistance Programme mirrored existing national policy. That is not to say that the Troika negotiators were passive in proposing reforms. Certain elements of the financial part of the Programme were presented as non-negotiable by the Troika, whether or not they were in-line with pre-existing policy. These included the higher-than-standard capital ratio required for the banks,

a programme of rapid deleveraging of the banks (though the target loan to deposit ratio was negotiated), and the early transfer of deposits out of the failed banks. Given the absence of a risk-sharing element for the banking part of the Programme, parts of these initiatives required very careful implementation (fortunately successful) to avoid becoming counterproductive.

Over the course of the Programme, the nature and timing of some of the financial sector reforms were refined to reflect evolving circumstances domestically and at EU level. This was done in consultation with the CBI and the Irish Government.

5. **Do you consider that all consolidation measures/structural reforms were equally spared/divided among citizens? Please explain.**

The overall distributional impact of the reforms is not a matter for the CBI to comment on. As far as the financial sector reforms are concerned, the CBI worked hard to ensure (for example, through the Code of Conduct on Mortgage Arrears and the Mortgage Arrears Resolution Targets framework) that particular groups were not disadvantaged.

6. **Please describe the quality of the cooperation between your authorities and the Troika institutions on site.**

The on-site cooperation between the CBI and the Troika was satisfactory. The interaction was generally open and constructive. While there were understandably tensions on some issues between the Irish Authorities and the Troika, staff worked to develop a shared understanding and agree a way forward. The CBI was able to secure a significant number of modifications to Troika demands to ensure more favourable outcomes for Ireland.

7. **What impact did the entry into force of Regulation (EU) No 472/2013 have on the implementation of the programmes? Did you make use of the provisions of the Regulation, particularly Article 7(11)? If not, why?**

The entry into force of Regulation (EU) No 472/2013 did not affect the CBI's implementation of the financial reform measures set out in the Financial Assistance Programme.

8. **How many cases of infringement of national law challenging the legality of the decisions arising out of the MoU are you aware of in your country?**

Question not applicable to the CBI

9. **Are you satisfied with the objectives and the effective outcomes of the programme in your country?**

The financial sector has undergone significant reform since the start of the crisis. The banking system has been restructured and the financial position of the domestic banks strengthened; steps to underpin bank effectiveness, including measures to address non-

performing loans, are being taken; the personal insolvency framework has been overhauled, with the supervisory and regulatory approach also seeing substantial change. As a result, confidence in the Irish banking system is returning. The Financial Assistance Programme provided support and impetus to the Irish Authorities' financial reform agenda. While much has been achieved in terms of repairing the financial sector and addressing vulnerabilities, further work needs to be done and the CBI and the Irish Government will continue to advance this work following Ireland's exit from the Programme.