Euro-area finance ministers blessed the next disbursement of emergency aid for Greece, highlighting the goodwill that led to the unblocking of loans last month for Prime Minister Antonis Samaras's government.

At a meeting yesterday in Brussels, the euro finance chiefs gave the green light for the payout of 9.2 billion euros ($12.3 billion) to Greece this month. Of the funds, 7.2 billion euros in bonds are for the further recapitalization of Greek banks and 2 billion euros in cash are to cover the government’s budget needs.

The trouble-free payout of new loans for Greece indicates greater European political confidence in the ability of the government in Athens to press ahead with budget cuts and market-opening initiatives outlined in the nation’s international aid program. That in turn has helped lessen speculation that was rife last year about a possible Greek exit from the 17-nation single currency.

“We perceive a greater commitment to keep Greece in the currency union, if it complies with the program,” London-based Morgan Stanley analysts including Daniele Antonucci said in a report yesterday. “Many transitory support measures have already been extended, more will come.”

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The disbursement for January is part of a 49.1 billion-euro tranche that the euro area approved last month for Greece through March after revamping the nation’s second rescue. Policy makers gave the Samaras government two extra years until 2016 to meet budget-cutting targets. Europe split the whole tranche into sub-installments over four months to allow more oversight of Greece’s progress in curbing expenditure and overhauling the recession-hit economy.

“We noted with satisfaction that the milestones for January have been achieved,” Luxembourg Prime Minister Jean-Claude Juncker, who led the Brussels meeting of euro-area finance ministers, told reporters afterward.

Greece received 34.3 billion euros last month, including funds for banks. After the January disbursement, the country is due to get about 5.6 billion euros for budget obligations in two separate payments in February and March. The International Monetary Fund is contributing a separate amount to Greece of about 3 billion euros this quarter.
These sums are part of a 130 billion-euro rescue package approved early last year after an initial 110 billion-euro bailout in 2010. The second rescue also included the biggest writedown of privately held debt.

The euro area’s rescue funds, the European Financial Stability Facility and the European Stability Mechanism, will probably clear aid payments to Greece, Spain and Portugal “in a week” as the final step in the disbursement, according to Klaus Regling, who heads the EFSF and the ESM.

Loans for Athens were frozen last June after Greek opposition grew to fiscal austerity that’s a condition for European and IMF aid. Greece held two elections in which anti-bailout parties gained and Samaras emerged as the head of a three-party coalition in favor of staying in the euro while seeking more time to meet targets for narrowing the budget deficit as the economy shrinks for the sixth year.

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