

Klaus Regling at Eurogroup press conference (June 2021)

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Transcript of remarks by ESM Managing Director Klaus Regling

Press conference after Eurogroup meeting

Luxembourg, 17 June 2021

I will focus on the three topics on the agenda that are close to the ESM, that is Greece. Second, the post-programme surveillance of Portugal, Cyprus, Spain and Ireland. And third, the banking union.

Given that the EFSF and ESM are by far the largest creditor of Greece, we closely monitor the country's efforts to reform the economy and to raise its growth potential. And we have a very close cooperation with the Greek government. For instance, Finance Minister Staikouras and I meet regularly, also yesterday when he came to Luxembourg. A substantial recovery is underway in Greece this year and it will very likely continue next year.

The timely and temporary support measures taken by the Greek authorities in response to Covid-19 have cushioned the effect of the pandemic on businesses, workers and the health care sector. Greece will also benefit greatly from the EU instruments that aim to mitigate the effects of the pandemic and will support economic recovery.

Greece is among the first group - Commissioner Gentiloni mentioned that - the first group of countries to launch the programme, funded through the EU's Recovery and Resilience Facility. And I'm sure that this will provide an additional growth impulse. As was mentioned, there is good progress in the implementation of economic reforms. Some challenges remain under the circumstances. Not surprising; all that is explained in detail in the published report from the Eurogroup. So I will not go into the details.

On balance, given the progress and given the challenges, as President Donohoe said, the Eurogroup supported the release of the next policy-contingent debt relief measures for Greece, €748 million in total. That includes the transfer to Greece of the fifth tranche of SNP and ANFA income equivalent - that's €644 million, and the waiver of the EFSF step-up interest margin. That amounts to €103 million.

On the post-programme surveillance of Portugal, Cyprus, Spain and Ireland, I think it's easy to see that also for them, the recovery and resilience plans provide an opportunity to boost growth and to address structural vulnerabilities. All four countries enjoy good market access, low interest rates, low spreads, and they also have comfortable cash buffers. The rating agencies have maintained their sovereign ratings unchanged recently. So our reports conclude that there are no repayment problems from these countries at the moment.

On banking union, let me just confirm that also my impression was that ministers were very supportive of the programme presented by our President to continue the work. In a way, it's not surprising because the benefits of banking union are really

very, very strong. We all know that European economy is largely bank financed. That's one reason why we do need a well-functioning banking industry and also more cross-border banking in the euro area. And if we want the single market in financial services, then banking union is very much part of that. And getting there will improve the performance of the whole economy, thus raising the growth potential of the economy, but will also strengthen the confidence in the banking systems of each member state and therefore also the banking system of the euro area as a whole.

We have come a long way, as has been said. When I look back 10 years ago, banking union didn't exist and now we do have the single supervisor, we have the resolution framework and the Single Resolution Fund. The next important step towards completing banking union will be the backstop provided by the ESM from early 2022. So there are very important steps in place, but we also know that more work needs to be done. Thank you.

Contacts



[Cédric Crelo](#)

Head of Communications and Chief Spokesperson

+352 260 962 205

c.crelo@esm.europa.eu



[Anabela Reis](#)

Deputy Head of Communications and Deputy Chief Spokesperson

+352 260 962 551

a.reis@esm.europa.eu



[Juliana Dahl](#)

Principal Speechwriter and Principal Spokesperson

+352 260 962 654

j.dahl@esm.europa.eu



[George Matlock](#)

Senior Financial Spokesperson

+352 260 962 232

g.matlock@esm.europa.eu