

# Pierre Gramegna at Eurogroup press conference, December 2022

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## **Remarks by ESM Managing Director Pierre Gramegna Press conference after Eurogroup meeting Brussels, 5 December 2022**



Thank you, Paschal, and thank you, Paolo, for your kind words. And good evening to all of you. It's an honour and also a pleasure to be here with you tonight and be able to do this. As the new Managing Director of the European Stability Mechanism, I would like to thank you for your kind words, both of you, and say that the fact that I have been elected after a long process but with a large and broad consensus is encouraging for all of us and will enable me to do my best to lead the ESM to the best of my knowledge, with dedication, diligence and dynamism.

Dear Paschal, I would like to congratulate you on your re-election. Your diplomacy, your dedication and your patience make you an outstanding President of the Eurogroup. Having been eight years in the Eurogroup myself, I've seen a lot happening and I can tell the audience it is a tough job, and you have mastered it very well.

We had today also a Board of Governors of the ESM prior to the Eurogroup, and that is because today we decided that Croatia could become a member of the ESM next year. Now see how interesting it is that the enhanced surveillance of Greece stopped

in August this year and a new member soon comes into the euro. We must not take this for granted. This is symbolically very important.

When we started the Eurogroup and the euro, we were 11 countries. And in January, February, we're going to be 20 countries. Now, this is good news for the euro area. It shows that it is attractive, it is good news for Croatia because they will enjoy the benefits of the euro. And last but not least, by becoming members of the ESM, they will also benefit from the solidarity of the euro area. So my heartfelt congratulations to Croatia.

We had a discussion and here I make a reference to the Eurogroup on the post-programme surveillance on Cyprus, Ireland, Spain and Portugal. And that was a very smooth discussion because I concur with the analysis of the Commission that all these countries have also come a long way and today we can assess that those countries have no problems to repay their loans. So no worry there. Those countries have a reduction of their non-performing loans and they have rather easy access to capital markets. By saying that, I describe a situation that is completely normalising for those four countries.

As was mentioned, we had a longer discussion on Greece because this is a kind of historic moment that after four years we could discuss the last disbursements related to debt relief measures. Let's maybe remember what was often echoed in the media, but not only in the media, also in our discussions in 2018, when all this was agreed. Many were doubting that the path that had been designed could be really done and that Greece could fulfill this ambitious programme. Now, Greece has done much better than what we anticipated four years ago. And for example, today the Greek minister told us that the reduction of the debt of Greece would be the fastest of whole euro area. As a result, we could also agree on certain measures that I'm going to quickly describe.

The measures that we have decided today amount to more than €6 billion, which includes €700 million in disbursements [transfer of SMP/ANFA income equivalent amounts]. The reduction of the step-up margin on one of EFSF's loans, which will benefit Greece until 2049, corresponds to savings of €5 billion. If we add that to what was disbursed over the four-year period [2018-2022], we reach a number of €11 billion – the total amount of debt relief for Greece. We know that Greece is fully committed to continue to implement the programme and I will, as obviously, as the new Managing Director of the ESM, stay in close contact with the Greek government

for the future.

Last but not least, I participated in the discussion about the new fiscal governance framework at the euro area level and welcome the proposals that have been put on the table by the Commission. We welcome the idea that a revision of the Stability and Growth Pact and of the whole framework is unavoidable. We support the proposed work plan and encourage all countries and all players, including ourselves, obviously, to participate in the debate.

I insisted a lot and that was taken up by some that we need to hurry up. We need to hurry up because we know that in 2024 the escape clause will come to an end and that we need to update the framework that we have. And this is a great endeavour and we must take that very seriously. And I think also markets want us to take that seriously because if they know that we're going to deliver on this, it will boost certainty. And certainty in uncertain times is very precious.

As ESM, we will contribute to that discussion also in more technical words, because the ESM's programmes are linked to the fiscal framework of Europe, be it for debt sustainability analysis (DSA), be it for the credit lines, or be it, last but not least, for the repayment of the loans. In all of these matters, the ESM, obviously is closely connected to the rules that are the framework in which the euro area functions. I think we had a good start today and I think we will have many occasions also here to discuss about the future EU economic governance framework. Thank you.

*Response to question on what reforms Mr Gramegna was envisaging to strengthen the ESM as a relevant part of the euro area architecture.*

Thank you for this very good question. Let me first say that it would be presumptuous of me today here to deliver a whole action plan, having been in office for five days. But what you described about the ESM is certainly something that we are all looking at inside ESM and also in discussion with all the ministers that are our governors. We are aware that times are changing and the types of crises are changing. The ESM was set up in the aftermath of the 2008-2009 financial crisis that triggered some problems in the euro area, which the ESM has helped solve, as we could see today with Greece and the four other countries that benefited from its loans.

But we've seen the ESM react. And I would like to congratulate on this occasion what Klaus Regling has done over ten years, he has tried to update and adjust to the new needs. And Pandemic Crisis Support that was invented 18 months ago was a very smart answer to a need that we all recognised was there. Now, the Pandemic Crisis Support was not used, but had indirectly the effect that markets were reassured that the ESM stands firm in case countries have financial problems in case of such a crisis.

So although it was not used, it had an indirect positive effect and we can see that rating agencies and analysts all concur on that. So this is the first example of using the ESM in other circumstances. We will continue to monitor this and I will visit the 20 countries that are members of the ESM. Starting in January, I'm going to see all the ministers in their capitals to discuss with them how they see the future of the ESM. And in the months to come, I will have a better view of where we stand, where everybody is ready to go. And then my task will be, together with the Eurogroup or the Board of Governors, which are in fact the same people, be able to find the common denominators or the new bridges we want to build together. So your question is very much warranted and this is going to be obviously my first priority.

## Contacts



[Cédric Crelo](#)

Head of Communications and Chief Spokesperson

+352 260 962 205

[c.crelo@esm.europa.eu](mailto:c.crelo@esm.europa.eu)



[Anabela Reis](#)

Deputy Head of Communications and Deputy Chief Spokesperson

+352 260 962 551

[a.reis@esm.europa.eu](mailto:a.reis@esm.europa.eu)



[Juliana Dahl](#)

Principal Speechwriter and Principal Spokesperson

+352 260 962 654

[j.dahl@esm.europa.eu](mailto:j.dahl@esm.europa.eu)