

Introductory remarks at ESM press conference

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Press conferences

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Transcript of remarks at press conference following Annual Meeting of Board of Governors, 15/06/2017

J. Dijsselbloem, Chairman of ESM Board of Governors

Ladies and gentlemen, we the 19 finance ministers of the euro area just met for the fifth Annual Meeting of the ESM Board of Governors, in the building of the ESM. My colleagues and I unanimously approved the 2016 Annual Report of the ESM, and the financial statement.

The ESM external auditors as well as the ESM Board of Auditors backed the financial statements of the ESM without any qualification. That's a very reassuring statement for us governors, Member States given the sums of money that the ESM is dealing with. We also had a discussion about and welcomed the Evaluation Report of the past programmes of the EFSF and ESM, in other words Ireland, Portugal, Spain, Cyprus and the EFSF programme for Greece terminated in December 2014. The ongoing ESM programme for Greece is not part of this evaluation but it will be, I'm sure, part of a similar future evaluation.

At our Annual Meeting a year ago the Board of Governors took the initiative and mandated the ESM for such an evaluation. For me it's a very important process to go through. I think it's normal best practice for a comparable institution the way also the IMF, for example does it, to evaluate the work. Secondly, of course, it helps the ESM to perfect its work as it matures, even though all the governors agree that the ESM, its Managing Director and the staff have done an outstanding job in building the institution from scratch, in executing its programmes, and in issuing the bonds to raise the funds necessary for the programme countries.

I talked about an independent evaluation and that's the reason why ESM Managing Director Klaus Regling and I proposed Gertrude Tumpel-Gugerell as the Independent Evaluator. She has the independence, the knowhow and the authority to conclude this exercise successfully. So, thank you for joining us.

The Board of Governors of the ESM is impressed with the result. It's a very good evaluation report, it's thorough, and you've guided the process excellently-thank you very much. All of you interested in the work of the ESM should really read it!

So, let me mention Gertrude Tumpel-Gugerell's recommendations that the ESM Board of Governors has already decided to follow up on. First, we've asked the ESM to come up with a concrete work plan to improve its working methods and transparency, and proposals to follow up on it. Secondly, we've asked the ESM to develop further policy framework for financial assistance, to strengthen the effectiveness of stability support. And thirdly, we will work on clarifying and supplementing the ESM's role, mandate in the euro area's institutional development [and] debate the future of the Eurozone which will take place and continues to take place in the coming year. So, in that context we will also use the recommendations of Ms. Tumpel-Gugerell and her team.

The Board of Governors has gone into more detail on this report and our reaction to it in a separate statement that has been published.

This is the point to turn to Klaus.

Klaus Regling, ESM Managing Director

I'm of course happy that the Board of Governors adopted the ESM's annual report for 2016. This unanimous backing is a sign of the confidence in what we are doing. And so is the unqualified backing by our Board of Auditors.

2016 was of course again a busy year. In our entire history, we have disbursed almost €265 billion to five programme countries. Four of these five are success stories: Portugal, Ireland, Spain and Cyprus. And this confirms my conviction that our approach of providing temporary rescue loans in return for economic reform is working. It is also strengthening the sustainability of the euro area and makes it more robust.

In 2016 we disbursed €10.3 billion to Greece, bringing the total loan volume for the country to €173.5 billion. Greece enjoys annual budget savings of €9.9 billion every year, thanks to our long loan maturities and very low interest rates. That corresponds to 5.6% of its GDP. This is really the expression of solidarity of the euro area towards Greece. It provides fiscal breathing space and helps Greece regain competitiveness, which in turn contributes to making its debt sustainable again.

Our implementation of the short-term debt relief measures since January is a further help. They should reduce Greece's debt to GDP ratio by 20 percentage points and Greece's gross financing needs by 5 percentage points until 2060.

Addressing the ESM Board of Governors today, I reported an ESM net income of €568.8 million for 2016, this is a good result, and I am happy that the Board of Governors followed my recommendation to add all of it to the ESM Reserve Fund. The Reserve Fund now holds €2 billion, which is a good buffer. It would be easily sufficient to compensate for losses on our investment portfolio, which could happen this year as a result of the current low and negative interest rate environment.

When you read our annual report, you will see the successes the ESM enjoyed and the challenges we faced. I would like to draw your attention to the feature on the euro that portrays our common currency as the "platform for stability and a springboard for success". And you will also find quotes from our 19 governors – the 19 finance ministers of the euro area, what they think about the euro and its advantages. I think it's really good reading.

Let me also point to some of the positive developments in programme countries, which continue to make early repayments. Spain has announced it will request €3 billion in early repayments towards its ESM loan this year and it actually repaid €1 billion yesterday. This is another sign of strength of the Spanish economy that has been developing in an impressive manner since the end of its programme. Also such an early repayment to the ESM increases our firepower, so it's also very good from that perspective.

Cyprus and Portugal want to make early repayments to the IMF. Portugal has already done this previously. Cyprus is asking to do this for the first time.

Finally, let me also welcome Gertrude Tumpel-Gugerell, our Independent Evaluator. She concluded that the ESM and the EFSF have fulfilled their mandate, and that we have gained credibility in doing so.

The recommendation from Ms Tumpel-Gugerell to develop the mandate of the ESM is a recognition of this fact and will certainly lead to a broader discussion later this year.

In addition, ESM management is ready and happy to implement some of the follow-up to the evaluation report that as was agreed by our Board of Governors, and the Chairman mentioned that already. We will deliver some

proposals for these recommendations by the end of the year.

Gertrude Tumpel-Gugerell, Independent Evaluator

Good afternoon, also from my side. I would like to give you the highlights of our discussion on the evaluation report in the Board of Governors meeting. This is the report and I also recommend reading it.

My main message of the report is that the EFSF and the ESM have achieved what they were made for – financial stability in the euro area. Of course together with the help of other institutions: together with the Eurogroup, the European Commission, the ECB, and the IMF. I think it's a big achievement.

All five programme countries have improved debt sustainability and economic fundamentals. Four out of the five programmes have regained market access.

The ESM has won the respect and the recognition of all stakeholders involved.

The firewall has worked.

There are however a number of recommendations for improvement in future programmes and I would like to mention them briefly:

The first one is: the ESM should support programme credibility and ownership. This requires pre-empting delays in programme requests, appropriate communication, and maintaining political legitimacy.

The second point is: The programme design should have clear objectives and priorities. It should focus on the return to market financing and give structural reforms an adequate timeframe. Implementation and monitoring of structural measures may require longer time horizons and stronger administrative capacity.

The third point is that the programmes should address financial sector issues upfront. There is no sovereign debt crisis without an impact on the financial sector. Nearly 50% of programme financing has been provided for financial sector repair. So an explicit and comprehensive strategy for the sector should be in place, including the management of non-performing loans.

The fourth point is: The Board of Governors should further refine and develop the ESM governance framework. We need to increase the effectiveness of cooperation between the programme partners, agreements on roles and clear responsibilities should be concluded, and the policy framework should require a closing report for each programme.

The fifth point is the ESM should enhance programme transparency and evaluability. It should set up a public programme database and evaluate the Early Warning System and the third Greek programme, which is still ongoing.

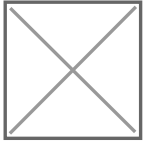
And going forward, in the context of the current debate on further euro area integration, the ESM Board of Governors should strengthen the ESM's role and reinforce the preventive capacity for the financial stability of the euro area.

I'm very happy with the discussion we had today in the ESM Board of Governors' meeting and it is very reassuring that the ministers have decided on an appropriate and concrete follow-up procedure to these recommendations.

Video:

Press conference of the Annual Meeting 2017 [Part 1](#) [Part 2](#) [Part 3](#)

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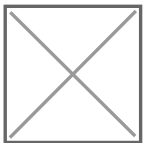


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