ESM marks fifth anniversary

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Luxembourg - The European Stability Mechanism has its fifth anniversary on Sunday as the permanent crisis resolution mechanism for sovereigns of the euro area. Set up by the countries of the euro area on 8 October 2012, the ESM helped to keep the euro together during the height of the euro debt crisis. Far-reaching economic and financial repairs were initiated in the context of ESM programmes in the countries hit the hardest by the crisis.

Together with its temporary predecessor, the European Financial Stability Facility (EFSF), the ESM has lent money to five countries: Greece, Ireland, Spain, Portugal and Cyprus. In exchange for the rescue loans, beneficiary countries had to implement reforms in order to make their economies sustainable and competitive, and to restructure their banking systems. Four of these countries are now economic success cases, with among the highest growth rates in the euro area. Greece is the only country that is still receiving new loans. It too can stand on its own two feet again if reforms continue.

> “There is no doubt that the ESM will remain an anchor of stability in the euro area, and it is one of the great achievements coming out of the crisis that we have an ESM. I want to congratulate the ESM, and I’m looking forward to working with you,” said Jeroen Dijsselbloem, President of the Eurogroup of euro area finance ministers, and Chairman of the ESM Board of Governors.

The ESM welcomes the political debate about further reforms in the euro area. Monetary union today is much stronger than before the crisis, both economically and institutionally. A few remaining steps would have a major impact in protecting the economic stability of the euro area and in making it more robust.

> “The ESM is a young institution but we have become an experienced firefighter during these last five years,” said Klaus Regling, Managing Director of the ESM since its inception. “The experience that we accumulated during these last few years will help us to play a useful role in the monetary union in the future, now that we are considering how to make it more resilient and more robust.”

Since the ESM’s inception in 2012, its membership has grown from 17 to 19. Latvia and Lithuania joined the ESM in 2014 and 2015 respectively, following their accession to the euro area.

The ESM and EFSF together have €252 billion in loans outstanding, but they have not used taxpayer money to fund these programmes. Money is raised from investors, by regularly issuing bills and bonds in financial markets. The ESM can do so at very favourable rates because of its strong credit rating. This is due to its paid-in capital of €80 billion, which has been provided by the 19 members of the euro area.

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