

Klaus Regling at Eurogroup press conference

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Transcript of remarks by ESM Managing Director Klaus Regling

Press conference after Eurogroup meeting, 19 February 2018

Good evening, let me add a few words from the perspective of the ESM. First on Greece, and as you heard, we had a meeting of the Board of Governors of the ESM to adopt the Supplemental Memorandum of Understanding for Greece. The Board of Governors is composed of the 19 euro area finance ministers, so it's the same group but they change their hats. It is the highest decision-making body of the ESM. The Governors' decision today, subject to the completion of parliamentary procedures in Germany, was necessary so that the Commission can sign the Supplemental MoU on behalf of the ESM. And this is one important step towards the disbursement of the fourth tranche of €6.7 billion under the ESM programme. Once Greece has completed all prior actions – two are still pending – national procedures can be launched. This includes approval in a number of parliaments, and after that the ESM Board of Directors, composed of the euro area deputy finance ministers – would then have to approve the Financial Facility Agreement in order to start our disbursements.

And as I explained after the last Eurogroup in January, there will be a first sub-tranche of €5.7 billion: €3.3 billion for external debt payment, €1.9 billion to help Greece to build up a cash buffer and €1.5 billion for arrears clearance. With respect to arrears clearance, I am happy to confirm we have received the data confirming that the agreed target for arrears clearance was achieved in December. And you

may remember that the objective of the programme as a whole is to reach a zero arrears target by August this year. Given where we are now, I don't anticipate that the ESM will be able to disburse this first sub-tranche before the second half of March. After that there is another disbursement of €1 billion planned for the purpose of arrears clearance, provided that the conditions are in place.

I also want to mention that since the last Eurogroup meeting, we have noticed some positive market developments for Greece. Two weeks ago a new 7-year bond was issued successfully, raising €3 billion euro with a 3.5% yield. And the situation was further improved by the upgrade of Greece by the rating agency Fitch, which happened last Friday. I think these developments reflect a renewed market confidence based on the reform efforts of the Greek government under the current programme. And as the Commissioner [Moscovici] said, next week the Institutions will travel back to Athens to start the next review.

Briefly on Ireland: as you know the ESM participated in the 8th post-programme surveillance mission in the context of our Early Warning System. I share the views that Ireland's economic recovery over the last few years has been remarkable. Of course, there are challenges, which were mentioned by Pierre, so I will not repeat that, I share that view. But we do not see any risk to the payments that are due to the EFSF over the next 12 months.

On the topic of deepening of EMU, you heard already what we talked about. Many ministers support the position that the ESM should provide the backstop to the Single Resolution Fund. Also they support an enhanced role for the ESM in crisis management, which includes negotiating and monitoring financial support programmes. Ministers support a review of our toolkit. We are aiming at developing a cooperation framework with the European Commission; Pierre mentioned that. And I think it will be useful and possible to sit together and develop this cooperation framework to make clear that we have complementary roles, taking care of our respective responsibilities and avoiding duplication.

I want to end with a final word on our funding activities. You remember that last month it was agreed that Spain would make an early repayment towards the ESM with €5 billion. This was approved by our Board of Directors earlier this month. As a result, the funding needs of the ESM will be reduced by the same amount. That is how the ESM works: the amount of money we borrow in the markets is always

exactly the same as what we lend. So the ESM now plans to raise €18 billion this year, down from €23 billion. The combined funding needs for the ESM and EFSF will therefore go down to €46 billion for the year. This is still a big amount; slightly smaller than in 2017. It still puts us among the top issuers in euro-denominated bonds. More generally, the early repayment by Spain is good news because it boosts investor confidence in Spain, and it also increases the firepower of the ESM.

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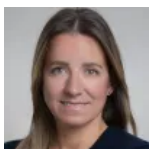


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