

Mário Centeno and Klaus Regling at press conference after annual meeting of ESM BoG

21/06/2018

[Press conferences](#)

Media Name: prconfambog.jpg

Transcript of remarks by Chairperson of ESM Board of Governors Mário Centeno and ESM Managing Director Klaus Regling

Press Conference after the sixth Annual Meeting of the ESM Board of Governors

Luxembourg, 21 June 2018

Remarks by Mário Centeno

Welcome to this press conference. I had the pleasure of chairing the ESM Board of Governors meeting for the first time this morning.

This was a productive meeting. We have approved the 2017 Annual Report, which I invite you to read to learn about the ESM activities in the past year. It was a busy year and Klaus will probably tell you more about that in a moment. Later today, we will meet again in the Eurogroup – no longer as governors, but as ministers. I will talk to you about the outcome of that meeting later today. At this moment, I would like to point there are two topics in our agenda that are of special relevance for the ESM.

The first is Greece, which is now getting very close to the end of its third assistance programme. And the other is deepening the monetary union, which entails a review of the role of the ESM.

First on Greece, the ESM has so far lent almost €47 billion and that number is likely to go up because there should be a substantial final disbursement, once the fourth review is completed. The ESM has not just worked on disbursements, but on other issues in relation to the Greek programme. This includes debt sustainability analysis and the short-term debt relief measures.

After the end of the programme, the ESM will continue to be involved in Greece through its Early Warning System, as it does in all other former programme countries. This shows how the ESM has developed its expertise since it was set up six years ago. Over this period, it earned credibility and was praised for making an effective use of its resources. Continuous improvement should remain its goal going forward.

Through its work, the ESM has established itself as an important part of the institutional set-up of the euro area. It was the crisis firefighter. Now that the crisis is behind us, its role in increasing the resilience of the euro area remains crucial.

Its importance is reflected in the Memorandum of Understanding that the ESM signed in April with the European Commission. This MoU covers the working relationship between the two institutions in financial assistance programmes. The cooperation between the two institutions was already at display during the Greek programme. It showed that the euro area becomes more robust and credible when these two institutions combine their strength.

This takes us to the second topic – the deepening of the monetary union. Like in Greece, the ESM is instrumental in this topic. Its evolution over the past six years shows that the ESM is ready to take on a bigger role, which fits closely with its current competences and with the expertise it has gained.

With that, I'd like to hand over to Klaus, who will give you more details of this morning's meeting.

Remarks by Klaus Regling

Welcome to this press conference on the occasion of the annual meeting of the ESM. Our Board of Governors convenes once a year in Luxembourg in the ESM office, and this happened for the sixth time this morning. Mario Centeno chaired the meeting in his capacity as Chairman of the Board of Governors.

The ESM Board of Governors consists of the 19 euro area finance ministers. Later today, they will meet in a different form, namely that of the Eurogroup. We will talk about that later.

Now let me say a few words about the Board of Governors meeting. This morning, I presented the Annual Report of the ESM, which includes our financial accounts. The ministers approved these accounts, and that is the primary formal goal of the meeting. We also discussed the main activities of the ESM in 2017, and looked at three topics: financial activities, institutional developments and, more broadly, the work of the ESM.

On the financial side, the EFSF and ESM together raised €60.5 billion in bonds last year, our second-largest issuance year. We are now the largest issuer of euro-denominated debt among comparable institutions such as the EIB and Germany's KfW.

The ESM made a small profit of €68 million. The Board of Governors added this to the reserve fund, which now stands at €2.1 billion. This is a solid buffer if we ever make a loss on our capital, which is not to be excluded in this low interest rate environment, as I already mentioned a year ago.

A brief word about the ESM as an institution: we are still small, compared to other public sector institutions in Europe, with a staff of 175 people. That is a very small increase from last year. Our employees come from 43 countries; we recruit globally, we're very diverse. But realize we should do better on the gender balance, and we have started some initiatives on that.

The ESM has been widening its expertise over the last six years. In the beginning, our role was mainly to mobilise and to disburse cash. By now, we have developed into an institution with a wider know-how, both in macroeconomics and in financial intelligence.

One example is the work we do on debt sustainability. We have been leading the debate for instance by pointing out that gross financing needs are the critical measure of a country's debt sustainability, and not just the debt-to-GDP ratio.

Each year, we calculate the budget savings for all beneficiary member states from the favourable conditions of our programme loans, compared to what they would need to pay in the market. For Greece, these savings were €12 billion last year, more than 6% of GDP. A very substantial number, which is repeated every year. You'll find these numbers, and the other I mentioned, in our Annual Report.

The implementation of the short-term debt relief measures for Greece meant new and complex activities on the financial side of the ESM, such as entering into swap arrangements, and a very large bond exchange of almost €30 billion. The short-term debt measures will make a meaningful difference for Greece's debt burden. They

will reduce the debt-to-GDP ratio by about 25 percentage points by 2060 and the gross financing needs-to-GDP ratio by around six percentage points.

We also have accumulated a very large data base that shows who owns our bonds. It stores more than 200,000 trades. That way, we can look very closely at trading patterns and better understand investors. That's what I meant by financial intelligence.

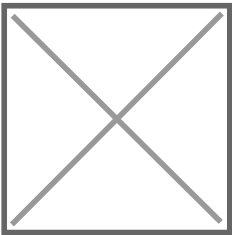
Finally, the ESM takes part in the debate on deepening the monetary union. I contribute to the discussion in the Eurogroup; we do it in the technical bodies that prepare the Eurogroup. But also there are talks in the European Parliament and in several national parliaments. And as the ESM, in our frequent contacts with markets, talking with investors, we also have to explain the situation in the Eurogroup and the prospects for further developments.

Developing or strengthening the ESM for me is not a goal in itself. But if we can contribute even more to making the monetary union more robust, then we are happy to do so.

To sum it up, at the ESM we have gained a lot of experience, and we're ready for the future. When the Greek programme ends, we will have no active programmes for the first time since the ESM was created. But I don't think it will be a quiet time. Our market activities will continue, as will the debate about developing the role of the ESM.

esm

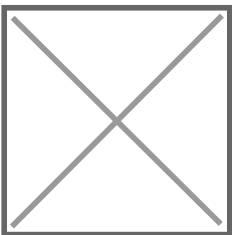
Contact



[Cédric Crelo](#)

Head of Communications and Chief Spokesperson

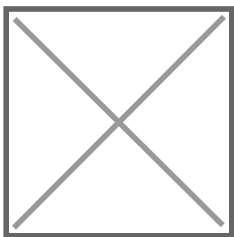
+352 260 962 205



[Anabela Reis](#)

Deputy Head of Communications and Deputy Chief Spokesperson

+352 260 962 654



[Juliana Dahl](#)

Principal Speechwriter and Principal Spokesperson

+352 260 962 654