European Stability Mechanism

Rolf Strauch, Member of ESM Management Board

Letter to the Editor of the Wall Street Journal

28 February 2017

Regarding Rita Khemani's view on the Greek financial assistance program (Letters, Feb. 22): There is no disagreement between the IMF and Europe on the conditions Greece must meet before getting new disbursements. The European Stability Mechanism (ESM) has adopted the IMF's standard practice that reforms need to be put in place before any money is paid out. The current program for Greece runs until the middle of 2018, and the European institutions will continue to pursue this approach, also applied consistently in other European programs.

When it comes to debt sustainability, Europe has made unprecedented efforts to help Greece. In 2012, private investors scraped 107 billion euros in loans off the country's books. The public sector followed suit the same year with a reduction of the economic value of the loans. No country in the world has ever received greater debt reduction.

In 2016, Greece's euro-area partners pledged yet another comprehensive set of measures to help with the country's debt. It will reduce Greece's debt level by 20 percentage points by 2060. On top of that, euro-area finance ministers have pledged more relief once the current program ends, if there is need.

This political commitment must not be underestimated. The IMF should have no concerns about being paid back. The ESM provides very long-term loans, at exceptionally favorable conditions. As a result, Greece's gross financing needs will drop and fall well below those of most other euro-area countries by 2020. To answer Ms. Khemani's rhetorical question: No, Europe's solidarity with Greece isn't a new form of currency, but it does translate into hard cash.