European Stability Mechanism

Transcript of remarks by ESM Managing Director Klaus Regling

Press conference following Eurogroup meeting, 20 March 2017

Just a few words on Greece from the ESM perspective. I share the assessment that there has been good progress since the last meeting of the Eurogroup, particularly when the mission and the four institutions were in Athens. But it's also clear that a significant number of issues are not resolved yet. And there is a risk indeed that this might have a negative impact on the economy, on confidence of consumers, on domestic and foreign investors. And therefore it is important to intensify the work. If one looks at this in a wider context, we should remember that since the programme started in August 2015, we have seen good progress. The ESM was able to disburse €31 billion to Greece since September 2015. Of course, always linked to programme implementation, and one could see the positive impact of that on the economy last year, when growth accelerated and we saw positive fiscal performance.

We should really try everything to maintain this momentum, because as I said, the uncertainty about the conclusion of the review may be costly. We know that the next big debt service payment from Greece is only due in July, but it would be much better to conclude the review well before that in order to stabilise economic developments, and therefore that's the reason why Chairman Dijsselbloem announced that work will intensify in the next few days here in Brussels between the institutions and the Greek authorities.

Response to question on proposals to develop the ESM into a European monetary fund

There was one important point that I think I can say on behalf of all of you, which was not mentioned to avoid misunderstanding: nobody is advocating changing the institutional set-up now. For the Greek case in particular, we are all in favour of getting the IMF on board, so there is no misunderstanding. Otherwise, you can understand that I read and hear these proposals with great interest; it's not completely new, and the European Parliament debated already the question of a European monetary fund coming out of the ESM in 2014; I was at a meeting of the ECON committee at the time. I think it's becoming a bit more concrete now and there seems to be – for the future, not for the current programme – a growing opinion that this would make sense.

The ESM indeed as you said has developed over the last few years. We are much more involved in the programmes than we were five years ago. We are now in all the review missions, we have our own so-called Early Warning System to do the post-programme monitoring, and that makes sense because we are in some cases the largest creditor of a country; we are the largest public creditor in all cases, so we must take a view – we want to be repaid one day. Therefore we are very interested in the economic and fiscal developments of each of the five countries that borrowed from us. We are also developing in the sense that we will have an evaluation report on the work of the ESM over the last few years that will be made public at our annual meeting in June. We are working on that and there will also be some conclusions drawn from that. So I think this debate will be interesting; I don't expect quick results, because it would require changing the ESM Treaty – that is possible, but it requires consensus of our 19 Member States, and it will take a while before that is reached.

Response to question on Greece requesting a loan from the World Bank

It was not an issue today; I know you would like to write about it. World Bank loans are not that unusual for countries that borrow from the IMF, for instance; it often goes in parallel. Of course, it can have an impact and would have an impact on debt sustainability, on the fiscal targets, therefore we need to be well-informed. I sent a letter to minister Tsakalotos to ask for details – not to discourage him, but we need to be aware of the details. In that sense, we are very interested, but it's not something that will distract us from our work.