

# Klaus Regling at Eurogroup press conference

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Press conferences

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## Transcript of remarks by ESM Managing Director Klaus Regling Press conference after Eurogroup meeting 5 December 2019

Good morning, everybody. As you heard, we had a very rich agenda yesterday afternoon and evening. I will only focus on those elements that are of particular importance for the ESM and that was also a lot. This includes a Board of Governors meeting that has not been mentioned that preceded the Eurogroup meeting. Then we talked about three countries that borrowed from the ESM over the last few years. And of course there was the ESM reform agenda.

On the Board of Governors, this will not create any headlines in any of your media, but it is important for the functioning of the ESM. And therefore, in the end, also important for monetary union. The governors approved a new member for our Board of Auditors - a regular thing but very important for our internal functioning. There was a discussion about the next evaluation report of the ESM. You may remember

that three years ago, we had the first evaluation of ESM programmes. Until then, this was led by Gertrude Tumpel-Gugerell, the former board member of the European Central Bank and that covered all the programme with Ireland, Portugal, Spain, and Cyprus.

Now the second one focuses on the Greek programmes from the EFSF until 2018 and also until now, what's happening on post-programme surveillance. This second evaluation is led by Joaquín Almunia, the former Commissioner for economic and financial affairs, and competition. He is our independent evaluator; he will lead the process. And he gave an interim report to ministers yesterday and the final report will be presented by him to the governors when they meet for their annual meeting on the 11th of June in Luxembourg in the ESM building.

On ESM reform, as the Commissioner rightly said, this is part of the broader package for deepening EMU. Of course from my perspective, it's particularly important. But I also see it very much in that way. It's one element and at the ESM, our main interest is to make monetary union more robust, more resilient and whatever we can do from the ESM side, we are happy to contribute in that sense. The agreement in principle last night was important but I also want to agree with what the Commissioner said about the long-term objective. I also want to see the ESM entering the EU legal framework, the EU treaty. In my view that requires an EU treaty change - a primary law change - but we don't know when that will be possible. When it does become possible, then we should also use that occasion to integrate the ESM into the EU Treaty.

The agreement in principle yesterday was important for us because it covers all the elements that we have discussed many times in the Eurogroup at these press conferences. It relates to the backstop to the Single Resolution Fund (SRF), a stronger role for the ESM in future economic adjustment programmes together with the Commission. And it's very good that we have an agreement how we will cooperate in the future. The Memorandum of Cooperation was mentioned by the Commissioner and we reviewed our financial instruments, in particular the precautionary credit lines and all that is important to make the use easier and more efficient and that can help to prevent small problems from becoming big problems.

Now there are national procedures in some countries; we are used to that, it is normal. Once they are through, then the real ratification process will start in all

parliaments of all the 19 member states. That will take a while - at least a year. So I am well prepared to spend a lot of time in parliaments next year to explain all these reforms.

On Greece, I think all the important points were said. Indeed, the commitment of the government to implement growth-friendly reforms and to stick to the agreed fiscal targets laid the basis for us to disburse €767 million to Greece. Importantly, this is not a new ESM loan. This is a grant, a transfer, which is much better than a loan because it doesn't have to be repaid and there is no interest on it. So this really helps Greek debt sustainability. That's why it was agreed a few years ago, and it will continue over the next three years in semi-annual instalments, always of course after review by the Commission and the ESM presenting a report to the Eurogroup as the agreed commitments are adhered to. So this is good. And subject to national procedures, we expect to make that disbursement early next year.

The other two countries - Greece was the first - but the other two countries we also heard about were Spain and Cyprus. We had the regular post-programme monitoring reports; the ESM produces its own early warning system. But we do it again together with the Commission, we go to the countries together. And the news was good. These are success cases. And I think we can now say that we have five success cases. All the countries that received loans over the last few years from the EFSF and ESM and implemented comprehensive adjustment programmes have now good economic performance. It shows that the ESM approach of providing loans with conditionality really works. Thank you.

#### *Response to question on Collective Action Clauses (CACs)*

Maybe I can add that CACs are a very abstract concept. When you look at the details and read it, you will realize it's a long legal text. Therefore it's important that the lawyers look at every detail. And this work includes the 19 national debt offices, just to give you an idea how broad that work is, because they understand very well what's happening in the bond market. And we don't want to make any unintended mistake; that's why it will take a bit more time to look at the correct drafting. But the political agreement to move to single-limb CACs and to attach that to the ESM Treaty, that's taken, it's not in doubt. What we will do in the next few weeks is to look at the precise legal drafting.

## *Response to question on when the ESM reform will become effective*

On the timing, confusion may also come from the fact that after we have the full agreement among governments, there will be the ratification process. For the ESM reform to become legally effective, every parliament of the euro area needs to agree. So the Italian parliament, like all the other parliaments, will have the opportunity later next year to look at the issues very carefully, and form an opinion and vote. This will happen in every country. So this adds to the time dimension and so it depends very much on what people are thinking about agreement among governments, that's one thing, but then the parliaments come in with the ratification. So the final agreement, before it becomes really legally effective, is a bit away.

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