

# Klaus Regling at Eurogroup Press Conference

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22/01/2018

Press conferences

ESM

Brussels

**Transcript of remarks by ESM Managing Director Klaus Regling  
Press conference after Eurogroup meeting, 22 January 2018**

Thank you and good evening. So, I think we had good meeting for the first time under the leadership of our new chairman, Mário Centeno, with a number of positive messages, as you heard on the euro area as a whole and on Greece. So, Mário we expect that you will continue to produce positive messages in the next few meetings. Let me also remind you that Mário Centeno is also the chairman of the ESM Board of Governors, which is the highest decision-making body of the ESM.

I want to say a few words on Greece and Portugal. As you heard, and I want to share that view, Greece made significant progress in closing the third review. You heard the more detailed points and I don't want to repeat that, but it is certainly good to see that the process of closing the review has gone smoothly—more than most people expected. Markets have also noticed that and the yields of Greek government bonds have been falling fairly continuously in recent weeks, and are at levels as low as not seen in a long time. Also, rating agencies are taking notice. With a view to the end of the programme in August, of course we all encourage the Greek government to continue in this spirit.

After the political green light from the Eurogroup today, at the ESM we are now preparing the disbursement of the fourth tranche to Greece. The total amount will be €6.7 billion. Out of this amount, €3.3 billion are earmarked for debt repayment, €1.9

billion for the cash buffer, and €1.5 billion for arrears clearance.

As in the past, the total amount will be split into two parts. The first disbursement of €5.7 billion could take place once all the prior actions are completed, most likely in the second half of February, and of course also national procedures will have to be concluded.

A second disbursement of €1 billion could take place later in April, provided that the newly introduced e-auction system proves to be effective in bringing the level of non-performing loans in Greek banks down, and that a sufficient amount of arrears have been cleared including the contribution of domestic resources. The final decision on the disbursement will be taken by our governing bodies in February.

So far, as a reminder, the ESM has disbursed €40.2 billion to Greece of which Greece reimbursed the ESM early last year €2 billion. As a consequence, out of the programme ceiling of up to €86 billion, an amount of €45.8 billion remains undisbursed. Part of that will finance a disbursement in the final tranche and probably final review of the ESM programme later this year. With the full disbursement of the €6.7 billion discussed today, the loans disbursed by the rescue funds EFSF and ESM together will rise from currently €182 billion to €189 billion.

On Portugal, briefly, we discussed the post-programme surveillance and also the ESM's Early Warning System. As you probably remember, according to the ESM treaty, we make sure our former programme countries are able to meet their repayment obligations to the EFSF and the ESM. It's very positive how Portugal has been able to improve its market access. The 10-year sovereign bond yields are today less than 2% compared more than 4% last March. Recent credit rating improvements, particularly the two notch uplift by Fitch in December, contributed to these developments.

Portugal has to pay almost half a billion euro to the EFSF over the next 12 months, but in our assessment—in light of the market access and the buffers—this is will not be a problem. Of course vulnerabilities remain, as the Commissioner said. It was also announced in the Eurogroup that Portugal intends to do a further repayment to the IMF. I welcome that and the ministers welcome that because this will improve Portugal's debt sustainability.

A final word of thank you to Thomas Wieser for his excellent work as Chairman of

the Eurogroup, Working Group, and EFC for the last six years. I think he leaves big shoes to fill. He has done a tremendous job in keeping the euro area together. So, we lose a real committed expert and I want to say also a good friend. But I am reassured by the fact that Hans Vijlbrief, who will succeed Thomas Wieser, has been involved in these affairs since 2011. We have worked very closely together since then. As you know, he was the deputy to the former Chairman of the Eurogroup, Mr. Dijsselbloem. He was also a member of the Board of Directors of the ESM, Chairman of the Board of Directors of the EFSF—he will give up that position next week. So, we have worked closely together and I think he is the right one to fill the big shoes that Thomas will leave behind.

*Response to request to elaborate on the last sentence in the [Eurogroup Statement on Greece](#), “The Eurogroup invites the European institutions and the IMF to take into account the holistic Greek growth strategy when updating the DSA.”*

**Mário Centeno:** I can start, and then Klaus can complete my answer. The holistic growth prospects for Greece that we call upon in the statement is considered to be quite an important process to make sure that the post-programme process gains ownership in Greece. It is very important for the authorities to put forward this holistic view on economic growth because that is what will bring Greece after all to a path of growth and sustainability following all the adjustment programme measures that were taken. So that is the purpose of that sentence. And that is the purpose of mentioning that view on economic growth in the statement.

**Klaus Regling:** Yes, I think the emphasis on the growth strategy is quite appropriate because, as the Chairman said, growth is now the key issue. Ultimately, of course the entire ESM programme has the objective of generating growth again now that Greece is out of crisis mode. Fiscal consolidation has happened, competitiveness has been restored to a large extent, and many structural reforms have been taken. Now the question is how to strengthen growth potential further, and here it’s mentioned in the context of the Debt Sustainability Analysis (DSA) for good reason because you will remember that the DSA of the IMF compared to the DSA of the European institutions had a number of differences. A particular striking difference was the assumption about the growth rate over the next forty years. Small variations in the growth rate over a forty-year period of course have a very big impact in the end. So, the hope that ministers expressed with this sentence is that: looking at the growth strategy, taking additional action on the Greek side, might bring the institutions closer in their DSA by converging growth rates. We will see

whether that works, but that's the hope.

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