Klaus Regling at Eurogroup press conference

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Transcript of remarks by ESM Managing Director Klaus Regling

Press conference after Eurogroup meeting
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Good evening. I think we should all enjoy this evening, because it's not only the last Eurogroup before the summer break, it's also the last Eurogroup press conference where a member state of the euro area is under an EFSF or an ESM programme. That has constantly been the case over the last 8 years. So when we meet the next time in the Eurogroup, no country will be under an ESM programme. And I think that's very positive – not only as such, but also because we know that the countries that went through programmes have made good use of them. All of the countries that exited their programmes successfully are now among the growth champions in Europe, and I think Greece has a chance to join that group.

We have also used these 8 or 9 years to improve policy coordination in the euro area, new institutions were created in the context of the Banking Union. And of course the EFSF and ESM. And as the forecast from the Commission confirms this morning, the euro area economy is in good shape, robust and more resilient, so we are better prepared to weather the next crisis. I don't see it coming very soon, but we know it will come one day. And therefore it was very appropriate that the

Eurogroup decided today to follow up very quickly on what the Euro Summit decided at the end of June. I think that statement from the summit gives good political guidance and gives a good basis, together with the letter of the Eurogroup President to the summit, of what needs to be done over the next 6 months.

Obviously, the ESM is potentially affected quite a bit by the different work streams. The President mentioned the main points: backstop for the Single Resolution Fund (SRF), we will look at the toolkit of the ESM, we will look at debt sustainability issues, the role of the ESM, we will look at governance issues. So a lot of work is coming up in those areas where the ESM is affected one way or the other. And of course we are happy to play our role, contributing to the discussions in the Eurogroup and the other fora where this will be discussed.

On the post-programme monitoring missions to Ireland and Spain, as usual the ESM staff participated in these missions. As you know, we do our Early Warning System. We share the view expressed by the President and the Commission with respect to the achievements and challenges of these countries. We have no doubt that in the short term, these countries will fully make their payments to the ESM. But we also know that there are some challenges in the longer term.

Finally, on the ESM Board of Governors meeting that took place after the end of the Eurogroup, you heard already the basic points. The Board of Governors tonight endorsed the Supplemental MoU for the ESM programme in Greece. 18 countries were able to do that; the 19th country – which is Germany – still has to complete its national procedure, and therefore they had a reservation on this decision. This is something that we have seen quite often over the last few years, that in one country or another, national procedures don't allow the ESM Governor to endorse [a decision]; once the reservation is lifted, we can declare the adoption of this document.

The same will happen tomorrow morning, when the ESM Board of Directors meets. They need to decide on the final disbursement of €15 billion to Greece. Again, I expect that Germany will have a reservation for the same reason – the national procedure is not completed. But I expect all the other countries will endorse this decision, and then hopefully the reservation by Germany can be lifted in early August, so that we can make our final big disbursement of €15 billion.

Response to question on policy flexibility allowed to Greece regarding pension cuts

There was a commitment given to the European institutions, and that from my side remains in place.

Response to question on whether Germany's reservation was connected with the VAT rate for some Greek islands

The fact that the national procedure in Germany has not been closed is linked to the decision by the Greek government not to increase the VAT rate on five islands. That was one of the 88 prior actions, and after the last Eurogroup that measure was taken. We all know that the amount is not very big – it's €28 million. We do have the commitment from the Greek authorities that the VAT rate will be raised at the end of the year, so it's a postponement by 6 months. And also Greece in today's Board of Governors meeting made a commitment to have budgetary savings in other areas of an equivalent amount, €28 million, so that on a net basis, the fiscal situation will not be changed. And that was an important step that will hopefully also enable Germany to conclude its national procedure.

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