

Klaus Regling at press conference after Annual Meeting of ESM Board of Governors

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Press conferences

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**Preliminary remarks at press conference after Annual Meeting of ESM
Board of Governors**

Luxembourg, 13 June 2019

Welcome to this press conference on the occasion of the seventh annual meeting of the ESM Board of Governors.

This morning, I presented the 2018 Annual Report of the ESM. The Governors approved our financial accounts. We also discussed the main activities of the ESM in 2018. We looked at the ESM's financial activities and the ESM's two milestones of 2018: the end of the Greek ESM programme in 2018 and the package of measures with which the December Euro Summit decided to deepen Economic and Monetary Union and to strengthen the ESM.

I will start with our financial activities: We made a net profit of €249 million in 2018. Following my recommendation, the Governors added this profit to our reserve fund, which now has an amount of €2.3 billion. It is good to have such a buffer for whatever may happen in the future.

Still on the financial side, what we do on the two sides of the balance sheet is important, of course. The EFSF and ESM issued €46 billion in bonds last year to

refinance the outstanding loans for our five former programme countries. This amount is about the same amount that is issued by mid-sized euro area countries like Belgium or Austria.

Turning to last years' two milestones, I will start with Greece: Greece left its programme in August 2018 after 8 years. We disbursed €204 billion in loans to Greece. That is the largest financial assistance in history. It makes us by far the biggest creditor to Greece. As the last repayment will only happen in 2070 that obviously makes us a long-term partner of Greece. That means we are determined to work closely and in confidence with whoever wins elections in Greece over this long time span.

For this Annual Report, we recalculated the annual savings that Greece derives from our assistance. The number is €13 billion in savings for the Greek budget in 2018. That represents 7% of Greek GDP. And this will happen again every year. It is the largest support and largest solidarity ever given to any country in the world.

In a further sign of solidarity, Greece benefits from medium-term debt relief measures that we implemented in 2018. We estimate that this will lead to a cumulative reduction of Greece's debt-to-GDP ratio of 30 percentage points until 2060. Greece can also continue to receive transfers of the so-called SMP and ANFA profits on a bi-annual basis and that the EFSF will cancel a step-up interest margin, if Greece sticks to its reform commitments. That is one milestone, and it's really a long-term partnership because we are the main creditor. We do want to be paid eventually, although we are a very patient creditor, as I've said before. It is therefore logical that the debt relief measures are conditioned to Greece sticking to the reforms agreed under the ESM programme.

These reforms make and maintain the country's economy competitive and sustainable. That is important for Greece's capacity to keep its debt sustainable and repay us later. In this context, Greece's commitment to maintain a primary surplus of 3.5% until 2022 and to comply with EU fiscal rules are important conditions.

Chairman Centeno already mentioned that Joaquin Almunia will lead the evaluation of the Greek EFSF and ESM programmes; I don't think I need to say very much. I'm very happy that Mr Almunia agreed to be the independent evaluator. I know him very well from my work at the Commission, when he was actually my boss as the

Commissioner for Economic and Financial Affairs before he moved on to Competition. So I think this evaluation is in the best possible hands and I am looking forward to the conclusions in one year.

The second milestone of 2018 concerns the decisions of the Euro Summit in December 2018 to deepen EMU and to strengthen the ESM. This relates to the backstop to the Single Resolution Fund, the precautionary facilities, the stronger role of the ESM future programmes, and debt issues. But I think I don't need to go into details because we will come back to that during the afternoon, and therefore also in the press conference after that meeting.

My final point is on the ESM history book. I think you've received a copy. It's quite substantive because it is a substantial history of the last 9 years. It is called *Safeguarding the Euro in Times of Crisis: The Inside Story of the ESM*. The book chronicles the development of the rescue funds since their beginning in 2010. We tried to explain how we built a nimble and entrepreneurial international financial institution, one that was best able to handle new challenges.

The originality of the book is that the ESM history is told by those who made it. *"Safeguarding the euro in times of crisis: The inside story of the ESM"* contains first-hand recollections with quotes from some 30 key policymakers from European and international institutions in exclusive interviews with the ESM.

I hope you find this book interesting; it hopefully provides valuable insights in better understanding the euro crisis and the euro area's response to it. Thank you very much.

Response to question on Greece backtracking from agreed fiscal targets, and what to expect from the new Greek government on this issue

You were at the press conference after the last Eurogroup last month. So you heard me say that we are concerned that the fiscal measures adopted by the parliament last month puts the fiscal target of a primary surplus of 3.5% of GDP at risk. That's now confirmed in the enhanced surveillance report issued by the Commission. It was our joint assessment. I take note that the Greek government says that they will

reach the primary surplus target of 3.5% despite these measures.

Of course we are now in June; there's another half year to go. So we are talking about estimates here. But we are quite confident together with the Commission that this risk is really there; that the primary surplus might be missed by a significant margin. We also are concerned because the commitment to consult with the Institutions on important fiscal measures was not adhered to over the last few weeks. And that relates not only to the measures like additional pension payments and social handouts but also to the action in the Greek parliament to scrap the pre-legislated tax reforms. We are concerned that these tax reforms, which had already been adopted by parliament and would have been growth-friendly in our view, would not take place.

That's regrettable and it was done without consultation. And also the amendment to the HCAP law that happened in the Greek parliament just before the end of their session was done without any consultation, which is clearly a breach of the agreed process. So, we will come back to all these things, of course, with the new government. We don't know which government will be in place but that doesn't matter for us. We deal with whatever government is elected by the Greek people and we will have to address all these issues.

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