



## European Council Council of the European Union

### Remarks by J. Dijsselbloem following the Eurogroup meeting of 24 May 2016

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Good evening and welcome to this press conference.

The main topic of today's Eurogroup was of course Greece, so I will concentrate on that. We've reached a full staff-level agreement; well actually, the institutions and Greece had already reached the full staff-level agreement and that was welcomed and agreed and adhered to by the Eurogroup today. So on the package of all these major reforms that Greece had committed to last summer - we have now a full agreement, a lot of legislative work has been done by the Greek government and the institutions will do a final check on that to look at the last legislative work and to see whether that's all in agreement. Part of that is of course the contingency mechanism that makes sure that Greece stays on the fiscal path.

On that basis and of the full implementation of those prior actions and the completion of the national procedures, the ESM will be able to endorse the supplementary MOU and then approve the disbursement of the 2nd tranche of this programme. The figure that we have outlined for that is €10.3 billion, to be disbursed in several disbursements but perhaps I'll leave it to Klaus to outline how that works both in substance and in procedure. So this is very good news, already this part of the agreement of today is very good news because it shows that the programme is fully back on track and that Greece has done a lot and is delivering a lot and we are making good progress there.

Of course this should lead to a full and positive conclusion of the first review, and as you remember, on that basis we've promised to look at debt and discuss debt sustainability. And we did. We prepared that in a couple of Eurogroups behind us already when we said we would discuss it, when we said we had agreed on the method to look at gross financing needs on an annual basis to take as a standard the maximum of 15% of GDP and in the future, once the debt has gone down, that can go to 20%. So on the methodology we already have agreement. We also already agreed in the previous Eurogroup to take it step by step, so we have designed and agreed today a number of measures that can be taken on in the short run. We have a number of measures already for the medium term, if and when needed, and we have designed an additional mechanism for the long term. Let me give you little more information on that.

The short term is basically a debt management so we've asked the ESM management to look at the measures, which have to do with repayment profiles, which have to do with reducing interest rate risks and which also outline a waiver of the step-up interest rate margin related to the debt buy-back tranche which was in the second Greek programme. So along those lines we've asked the ESM management to see what is possible and to take decisions on that in the short run and to take that on.

It's difficult now and of course Klaus now probably will say more about what in economic terms the impact of that will be, but that is yet to be developed further by the ESM management.

For the medium term -- this is a second term of measures -- will come into play upon the full implementation of the programme, so this is mid-2018, and the programme runs until July 2018 to be precise. If all is implemented and the programme has come to a successful end, we intend to do more along the following lines to abolish the step-up interest rate margin to the debt buy-back tranche of the 2nd Greek programme as of 2018 and the following years. It is the same measure that was also in the short-term package, but then it was only for 2017 so we will continue that measure for the longer term.

A second element here is the use of the SMP profits and the restoration. If you remember, this was also the part of the second programme where we agreed to return the SMP profits and the profits from ANFA holdings to Greece. When the programme got into trouble in 2014, that stopped, the transfer of these profits. Some are still in the segregated account at the ESM in Luxembourg, that's the 2014 June tranche, so that will be made available. And as of budget year 2017, we will restart this transfer of ANFA and SMP profits to Greece.

A third element in the medium term package: liability management, where we will consider early partial repayment of existing official loans to Greece. Utilizing unused resources within the ESM programme. To be a little more precise, you remember that part of this programme last summer: we reserved €25 billion for the recapitalization of banks; a lot less was needed -- roughly €5 billion -- so there's €20 billion so far unused. Part of that we will set aside for possible future problems in banks, but the larger part of that could be made available and used to swap existing official loans to Greece in order to reduce the interest rate costs or extend maturities.

A final element in the medium term package is targeted EFSF re-profiling: that could be extension of weighted average maturities re-profiling of EFSF amortization, as well as capping and deferral of the interest payments. And here we will make sure that we don't incur any additional costs for former programme countries or to the EFSF.

Then finally for the long term we've agreed to put in place a mechanism, which if needed and activated by the Eurogroup could provide additional debt measures to meet the gross financing benchmarks if it were to be a problem in the future. Of course, as you know, the whole loan package has a long maturity period so we also need to consider the longer period ahead. All of this of course under the agreement that Greece complies with the requirements of our fiscal frameworks.

Now having said that, the key issue that will certainly interest you is whether the IMF is coming on board and tonight I am very glad to be able to say that the IMF has expressed its intention to recommend to the Fund's board to approve the financial arrangement before the end of the year. So the IMF will go to the board on the basis of this agreement to be part again of the support

programme for Greece. Of course this requires a number of steps still to be taken. I will mention just two -- one is of course that before the IMF goes to the board we have a new DSA, to assess where we are, take into account all that is in this agreement and the IMF will of course assess the possible debt relief measures that we, the Eurogroup members, agreed tonight. So those are two key issues that IMF will have to assess before taking that board decision.

The possible debt relief -- mainly talking about the medium-term package -- will be delivered at the end of the programme, so we are talking mid-2018. The scope will be determined by the Eurogroup on the basis of a revised DSA which will be designed in cooperation with European institutions, also taking into account the European fiscal policy framework -- and this is an important point brought by a number of ministers and also by Klaus -- that of course even after the programme, Greece will, as all Eurogroup members, remain under supervision for its fiscal policies by the Commission. So that is an important element also to take into consideration when we look at the future.

On that basis we look forward to not just the successful completion of the first review, but also the intention of the IMF management to go to the board. I think this is an important moment in the long Greek programme -- an important moment for all of us since last summer when we had a major crisis of confidence between us -- that confidence has begun to recover. I think that this helped us very much in this Eurogroup and in the last Eurogroups, starting to talk about where we are in the programmes, talk about what is further needed to support Greece, also looking at its debt. And I want to extend my thanks to also to the Greek finance minister and his staff; they have been working very constructively, very seriously, with us, with the institutions, to get us where we are now and I think that is a new phase that I welcome very much.

Thank you.

- [Eurogroup statement on Greece, 24 May 2016](#)

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