Remarks by Jeroen Dijsselbloem at the press conference following the Eurogroup meeting of 5 May 2014

Good evening and a special welcome to Vice-President Siim Kallas who joined the Eurogroup for the first time today, replacing Oli Rehn. We had a lot on our agenda, so let me guide you through it. We first welcomed the Portuguese decision to successfully exit their programme. Further, we discussed the Greek programme and started talks on their growth strategy. We made very good progress on the ESM direct recapitalisation instrument. We took stock of progress of the ECB Comprehensive Assessment of the banks. Then the Commission presented its spring forecast and we took stock of the economic situation in the Eurozone. Finally we discussed the in-depth reviews of a selected group of Member States and the updated draft budgetary plans of Germany and Austria.

Portugal

On Portugal, a statement has been distributed. Our main messages are:
We fully support Portugal's decision not to request any follow-up programme. We welcome the programme achievements which created conditions for Portugal's return to a path of sustainable growth and job creation, as reflected by the strengthening economic recovery, declining unemployment and improving business climate. The Portuguese government is determined to sustain the reform momentum by maintaining a prudent fiscal policy and continuing the process of structural reforms to enhance the economy's capacity to generate jobs and growth. We will continue supporting the reform progress in Portugal in the context of the regular and post-programme surveillance framework.

Greece

On Greece, a statement has also been distributed to you. Let me sum up the main issues:
We welcomed the completion of the prior actions and the disbursement of €6.3 billion by the EFSF and look forward to the approval of the review by the IMF Executive Board which is foreseen for early June. The Greek authorities presented us their long-term comprehensive strategy for growth. Building on the adjustment programme, this can be seen as a second stage that will help Greece to move from stabilisation to recovery and sustainable growth. They will continue working on more detailed action plan to be discussed in the Eurogroup at a later stage. Of course, none of this would have been possible without the programme. That is why it is of the utmost importance to carry the current positive reform momentum forward in line with the MoU. We also acknowledged that Greece had reached a primary surplus according to the definition agreed in the programme. The relative merits of possible debt sustainability measures, as stated by the Eurogroup on 27 November 2012, will be considered in the context of the next review.

ESM direct recap

As you can remember the discussion on the instrument of the direct recap was actually the start of the whole process of the banking union. Now we have put all the legislation for the banking union in place, and finalized it with the EP. Now we have come back to finalize the guideline on the ESM direct recap.

We made very good progress today. I put on the table a final proposal which was broadly supported and will allow ministers to seek where necessary a parliamentary mandate with a view to a political decision which we can take before our next regular meeting on 19 June.

My proposal on direct recap foresees that in 2015 a bail-in of 8% of total liabilities and the use of the national resolution funds up to the 2015 target level will be preconditions to use direct recap. As of 2016 as you know the full bail-in rules of the BRRD will apply. Mainly the last stretch of our discussion was on the bail-in regime in this transitional year 2015.

SSM/ECB Comprehensive Assessment

We also took stock of the state of play of the ECB Comprehensive Assessment. The Asset Quality Review is well under way and the stress test is foreseen to start in May. The outcome of this process is foreseen for October/November.

In the meantime we are seeing banks proactively going to markets to recapitalise in advance which we welcome very much.

The banks that need further capital according to the AQR or the stress test will be given time to strengthen their balance sheets with private sector sources. As announced by the ECB, capital shortfalls will be expected to be covered within six months for those identified in the AQR or the baseline stress test scenario or within nine months for those identified in the adverse stress test scenario.

There is broad agreement on the "waterfall" if a bank cannot recapitalise itself in the markets. First bail-in will be necessary according to state aid rules, second national governments will step in with money out of national resolution funds and only as a last resort public funds will be made available.

When this is not possible given the fiscal position of the country, ESM instruments may be used in the appropriate sequencing: first the indirect recapitalisation instrument after appropriate bail-in according to EU state aid rules; second, when available, the direct recapitalisation instrument, after a bail-in of 8% of total liabilities.

It goes without saying that any precautionary recapitalisations are also subject to state aid rules and will be monitored as such by the Commission.

After the finalisation of the AQR and stress test the ECB will take on its responsibility as banking supervisor in early November and as you all know, in 2016 the BRRD bail-in rule will come into force and the single resolution mechanism will start to operate.

Let me now briefly mention our other agenda items.

In-depth reviews

We have discussed the in-depth reviews of the Commission for the euro area Member States where the Commission concluded that excessive imbalances existed (Italy, Slovenia) and/or that decisive policy action and a specific monitoring was warranted (France, Spain, Ireland).

At this occasion, Minister Sapin presented us the policy priorities of the new French government. And the Commission presented the findings of their first post-programme monitoring mission to Spain.

We welcomed that all these Member States are committed to maintain the reform momentum but more will have to be done, in particular in countries where imbalances are excessive. The Ministers concerned are very much aware of this.

We will come back to this at our next meeting in June on the basis of the Commission's analysis of the National Reform Programmes which have already been submitted.

Updated DBPs of Germany and Austria

We also talked about the draft budgetary plans of Germany and Austria. As you can remember we discussed for the first time all the draft budgetary plans of the Members States last November. Three countries were in the process of forming new governments: Austria, Germany and Luxembourg.

After having discussed Luxembourg's plan at the last meeting, we reviewed today the updated Draft Budgetary Plan of Germany and of Austria. The statement on that has been distributed to you.

On Germany and Luxembourg, we agree with the Commission's assessments and are pleased to see that both Member States are fully compliant with the rules of the Stability and Growth Pact (SGP).

On Austria, we had an initial discussion based on a preliminary assessment from the Commission. The Commission expressed concerns that there is a planned significant deviation from the adjustment path, which would constitute a risk of non-compliance with the rules of the Stability and Growth Pact.

We therefore welcome the strong commitment of the Austrian government today to take additional measures as appropriate to address this risk and invite the Commission to assess the adequacy of any additional policy response in this respect as soon as possible. We called upon the Commission and the Austrian government to work together to swiftly conclude this and to report via EWG on the outcome of this process.

Economic situation / inflation / spring forecast

We welcome the continued positive news on the economic situation, showing that a more lasting recovery is now gaining strength and that confidence is improving.

At the same time as we all know the recovery is still fragile, as the legacy of the crisis is expected to fade only gradually. Therefore, we will need to continue with our agenda of structural reforms and fiscal consolidation to strengthen the path of sustainable growth and improve our employment figures.