

DÉCLARATION ET OBSERVATIONS

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Remarks by J. Dijsselbloem following the Eurogroup meeting of 14 August 2015

Good evening and welcome to this press conference. We have just finished the Eurogroup meeting and we've come to a positive conclusion on the proposals by the institutions. All the intense work of the last week has paid off and let me here also extend my thanks to the teams of the institutions and the team of the Greek government that had worked so hard these last months to reach an agreement. We also have reached agreement at the political level in the Eurogroup. We had a very constructive and good atmosphere. Of course there were differences, but we have managed to solve the last issues. We have issued a statement outlining the details of our agreement. I will therefore mention only the main elements.

First, we welcomed the agreement that was reached between Greece and the institutions on policy conditionality. It is to our mind in line with the key objectives set by the euro summit on 12 July, and if implemented with determination -- of course it always boils down to determination -- it will allow the Greek economy to return to sustainable growth.

Secondly, we commended the Greek authorities on the strong commitment shown in the last weeks in the normalisation of working methods with the institutions. I think that was very helpful to have a good and fruitful process and also we've seen important and determined legislative steps over the past weeks and days even, in Greece, and that has helped in the process of rebuilding trust; and many of the colleagues in the Eurogroup made that point.

Thirdly, on the policy conditionality, we welcomed the broad scope of the policy measures contained in the Memorandum of Understanding (MoU), as agreed. It's a comprehensive and ambitious reform package, it addresses the main challenges both on reaching sound public finances to return to growth, but also structural policy frameworks to enhance competitiveness. And finally it safeguards financial stability; it deals with the issues with the banks.

On the latter point, there will be later this year, this autumn, an asset quality review and stress test, and on the basis of that, recapitalisation will take place. In that process the bail-in instrument will apply for senior bondholders, whereas the bail-in of depositors is explicitly excluded. You will find this in our statement.

Fourthly, the Eurogroup underlined that a significantly strengthened privatisation programme is a part of the new ESM programme. Therefore it is important that the independent fund which will be set up will be established in Greece at the latest by end-2015. It will be under the supervision of the relevant European institutions. It will take on board the privatisation of state assets and the proceeds of this fund will, for the first €25 billion, completely be used to repay debt and for the second part of the target of €50 billion, it will be 50/50: 50% to repay debt and 50% can be reinvested. This fund will be set up before the end of the year. Proposals have to be made already at the latest by end October 2015. The ownership of this fund will be transferred as soon as possible after the recapitalisation of the banks has taken place later this year.

Fifth, on prior actions. We welcomed, as I already said, the comprehensive set of prior actions that has been legislated by the Greek authorities. The most recent prior actions legislated have been positively assessed by the institutions and I think this demonstrates that programme ownership has been picked up seriously and constructively by the Greek government.

The overall financing envelope of the agreed ESM programme will amount to €86 billion. This includes a €25 billion bank buffer, which can be available if needed to address potential bank recapitalisation and resolution costs. This money will, later on, after the first review as I said, be transferred to segregated account in the ESM. Whether it is needed will be decided of course after the assessment of the banks and the stress test later this year.

On debt sustainability - and this is of course the key issue - a debt sustainability assessment has been provided by the Commission, in a strong liaison with the ECB. The analysis basically concludes that debt sustainability can be achieved through a far-reaching and credible reform programme -- I think we have that in front of us -- and debt-related measures without nominal haircuts, because that was made explicit in the euro summit statement of 12 July. The Eurogroup stands ready to consider, after the positive completion of the first programme review, possible additional measures to ensure gross financing needs remaining at a sustainable level. "Gross financing needs" is the debt service approach that we will take when we look at the debt sustainability.

We will do that after the successful completion of the first review.

Finally, we welcomed the intention of the IMF Board to consider further financial support for Greece. They will do so in the autumn. We stressed that such IMF involvement for the Eurogroup is indispensable. We welcomed the positive assessment of IMF staff of the policy conditionality contained in the MoU. For the IMF Board to consider further financial support, there are two issues that are crucial and we realise and accept that. First of all there needs to be a full specification of fiscal, structural and financial sector reforms; and secondly that debt sustainability is ensured. On those reforms, just to mention one is the pension reform and we have again underlined that at the latest in October there has to be clarity on those pension reforms from the side of the Greek government, in agreement with the institutions.

Finally, as regards the next steps, the necessary elements are all in place now to launch the relevant national procedures to get the formal approval of the ESM financial assistance programme. We expect that the ESM Board of Governors which will take the formal decision will be in a position to approve the proposal on Wednesday, 19 August, by the end of the day; and that it would also unlock the initial first tranche of the programme.

That will be all from me. I will now give the floor to Vice-President Dombrovskis and to Klaus Regling.

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