

Bucharest, 16 April 2019
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To the members of the Eurogroup

Subject: Eurogroup of 5 April

Dear colleagues,

I would like to share with you the main content and course of our discussions at the Eurogroup meeting of 5 April in Bucharest, Romania.

The Commission was represented by Vice-President Valdis Dombrovskis and Commissioner Moscovici. Our meeting was attended by ECB Vice-President Luis de Guindos, ECB Executive Board Member Benoit Coeuré, and ESM Managing Director Klaus Regling. The Chair of the ECON Committee of the European Parliament Roberto Gualtieri attended the meeting for the first item on the agenda. SRB Chair Elke König and ECB Supervisory Board Chair Andrea Enria joined us for the item on Banking Union – euro area aspects. Mahmood Pradhan, the Deputy Director of the European Department of the International Monetary Fund (IMF), attended our discussions on Greece.

1. Exchange of views with the Chair of the European Parliament's Economic and Monetary Affairs Committee

We welcomed Roberto Gualtieri, the Chair of the European Parliament's ECON committee, to his second attendance at the Eurogroup. We exchanged views on the euro area's economic outlook. Although the recent slowdown has been more pronounced than expected, we recognised that the fundamentals of the euro area economy remain solid. In the context of marked global uncertainty, we also stressed the importance of stepping up efforts of reform implementation. We agreed to have a discussion on the economic outlook and possible policy responses at our next meeting on the basis of the upcoming Commission Spring forecast.

Furthermore, we exchanged views on the deepening EMU workstream and the need to advance as swiftly as possible on the mandate given by the Leaders at the December 2018 Summit in order to be able to take concrete decisions by June, notably on the Budgetary Instrument for Convergence and Competitiveness. The Chair of the ECON committee called for progress in the discussions on EDIS.

We recognised that a constructive dialogue with the European Parliament is beneficial to all of us within the boundaries of our respective institutional roles. I will also continue keeping the European Parliament informed of the Eurogroup's work in the context of my appearances before the ECON Committee.

2. Banking Union – euro area aspects

a. Ninth hearing of the Chair of the ECB Supervisory Board

For the ninth hearing of the Chair of the ECB Supervisory Board, Andrea Enria informed us about the main SSM's achievements, notably in addressing NPLs, enhancing ECB's Banking Supervision crisis management framework and cooperation with the SRB, strengthening supervisory capabilities linked to money laundering and the ongoing liquidity stress test. Mr. Enria also reported on supervisory-related preparations for Brexit. Finally, he called for a further harmonisation of banking rules and for facilitating the free allocation of capital and liquidity within the euro area.

b. Reporting on the activities of the Single Resolution Board

The Chair of the Single Resolution Board (SRB) Elke König informed us on the SRB's activities, including banks' MREL targets, the drafting of resolution plans by banks and the resolvability of banks. Looking forward, Ms König mentioned the importance of solving the outstanding open issues on the Common Backstop to the Single Resolution Fund (SRF) and the importance of making further progress on the provision of liquidity in resolution, on the European Deposit Insurance Scheme (EDIS) and on the Capital Markets Union.

3. Preparation of international meetings: inflation and exchange rate developments

We took stock of inflation and exchange rate developments over the past months in view of the upcoming IMF Spring meetings. Headline and core inflation have recently decreased, but underlying inflation is expected to increase over the medium term supported by rising wage growth and tightening labour markets.

4. Updated draft budgetary plan – Luxembourg

We discussed the updated draft budgetary plan of Luxembourg for 2019, on the basis of the Commission Opinion issued on 22 March 2019. We welcomed that it complies with the requirement

of the preventive arm of the Stability and Growth Pact. The outcome of our discussion is reflected in the short Eurogroup statement that we issued after our meeting.

5. Greece – state of play

We were informed by the European Institutions that Greece has taken the necessary actions to achieve all specific reform commitments for end 2018 and that the necessary conditions are in place to confirm the release of the first tranche of policy-contingent debt measures. Notably it was clarified that the new scheme for the protection of primary residences and the reduction of NPLs via the provision of subsidies will be temporary (ending by December 2019) and that its effects will be monitored by the institutions. We welcomed that the Greek authorities reiterated their general commitment to continue the reform efforts initiated under the ESM programme. On this basis, we will launch national procedures where applicable in view of the approval of the policy contingent debt measures. We adopted a statement reaffirming our understanding.

Yours sincerely,

Mario Centeno



Eurogroup

Bucharest,
5 April 2019

Eurogroup statement on the updated draft budgetary plan of Luxembourg for 2019

The Eurogroup welcomes Luxembourg's submission of an updated draft budgetary plan (DBP) for 2019, as requested in its statement of 4 December 2018, as well as the Commission opinion issued on 22 March 2019.

The Eurogroup welcomes that Luxembourg's plans are deemed to be compliant with the requirements of the preventive arm of the Stability and Growth Pact (SGP) in 2019. Luxembourg has outperformed its medium term objective and has used its favourable budgetary situation to sustain investment and growth.

We will continue to monitor euro area member states' fiscal and economic policies, as well as the budgetary situation of the euro area as a whole.

Annex II



Eurogroup

Bucharest,
5 April 2019

Eurogroup statement on Greece

The Eurogroup discussed the implementation of the reform commitments by Greece based on the enhanced surveillance report of 27 February and the update published on 3 April.

We welcome the adoption of a budget for 2019 which is projected to ensure the achievement of the primary surplus target of 3,5% of GDP, and the completion of important structural reforms including key privatisation transactions.

The Greek authorities have legislated a new scheme for the protection of primary residences, which has the potential to support banks in resolving mortgage NPLs. We take note of the commitment of Greek authorities to ensure that the scheme is temporary and will be terminated by end 2019. We ask the institutions to monitor - in the context of enhanced surveillance - carefully the impact of the scheme on the banks' capital and lending, the impact on enforcement and litigation, its impact on the process of NPL reduction, the impact on efforts to reduce the backlog of pending household insolvency cases and the fiscal implications of the scheme. We welcome the commitment of the Greek authorities to harmonize and improve in the coming months in a holistic fashion the bankruptcy and insolvency regimes.

Furthermore, we take note of the medium-term risks and challenges identified in the enhanced surveillance report. Against this background, we welcome that the Greek authorities reiterated their general commitment to continue the implementation of all key reforms adopted under the ESM

programme, especially as regards the income tax reform broadening the tax base and other tax reforms to ensure growth friendly measures and targeted social programmes, the reduction of arrears to zero, the collection of taxes and social security contributions, recruitments in the public sector, privatisations, as well as labour market reforms. It will also be crucial to continue with the implementation of financial sector reforms, to ensure, inter alia, an effective framework for e-auctions, the implementation of the action plan on household insolvency with the objective to eliminate the backlog of cases by end-2021 and improvements in the management of loan guarantees. These will continue to be monitored in the context of enhanced surveillance. The Greek authorities are invited to closely monitor wage developments during 2019 and to analyze the effects of the recent increase of the minimum wage and changes in collective bargaining on employment and competitiveness.

Against this background, the Eurogroup welcomes the assessment by the European institutions that Greece has taken the necessary actions to achieve all specific reform commitments for end-2018 and that the necessary conditions are in place to confirm the release of the first tranche of policy-contingent debt measures. Subject to the completion of national procedures, the EWG and the EFSF Board of Directors are expected to approve the transfer of SMP-ANFA income equivalent amounts and the reduction to zero of the step-up interest margin on certain EFSF loans worth EUR 970 mln in total.

We continue to monitor closely the ongoing legal proceedings against the members of the Committee of Experts (CoEx) of TAIPED and the former President and senior staff of ELSTAT.

Our next discussion on Greece will be based on the next enhanced surveillance report expected to be issued in June.