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To the members of the Eurogroup

Subject: Eurogroup meeting of 19 February 2018

Dear colleagues,

I would like to share with you the main content and course of our discussions at the Eurogroup meeting held on 19 February 2018 in Brussels.

The Commission was represented by Vice-President Valdis Dombrovskis and Commissioner Pierre Moscovici. Our meeting was attended by ECB President Mario Draghi and ECB Executive Board Member Benoît Coeuré and by ESM Managing Director Klaus Regling. We also welcomed Poul Thomsen, Director of the IMF's European Department, who joined us for the discussions on Greece and the post-programme surveillance for Ireland.

1. Greece – State of play

The European institutions debriefed the Eurogroup on the state of play of the third review of the ESM stability support programme. We welcomed that Greece has acted on all agreed prior actions. Only two remain outstanding which are largely outside of the control of the government. In particular, the institutions explained that more time is needed to assess full effectiveness in generating a continuous and unimpeded flow of e-auctions in all administrative regions of Greece. The full implementation of prior actions will be confirmed on the basis of an updated compliance report. Following national procedures, the ESM Board of Directors will be expected to approve the disbursement of the fourth tranche of the ESM programme. Looking forward, we also took note that the technical work on the growth adjustment mechanism as part of the possible medium term debt measures has already started and is ongoing.

2. Ireland – post programme surveillance

We were informed by the Commission and the ECB about the main findings of the eighth post-programme surveillance mission in Ireland, and by the ESM on its early warning system. The IMF also presented the results of its post-programme monitoring mission. The institutions welcomed the strong economic performance of Ireland. At the same time, they pointed at the risks stemming from Brexit, the international taxation environment and the sharp increase in Irish property prices. We praised the efforts undertaken by the Irish authorities to address the legacy of the crisis, broadly agreed with the institutions about the risks faced by the Irish economy and welcomed the intention to establish a rainy day fund. The ESM stated that there were no material risks to the repayments of loans. The Irish Minister broadly agreed with the views expressed by the institutions.

3. EMU Deepening – way forward on the ESM reform

We held a rich and constructive discussion on how to advance on the reform of the ESM in the broader context of EMU deepening. We broadly agreed that between now and June we should work on all relevant issues, covering the possible role of the ESM as backstop provider to the Single Resolution Fund, the role of the ESM in programmes and crisis management and its implications, debt sustainability issues and the review of instruments .

In operational terms, we agreed to give to the EWG a broad mandate in order to allow for a more informed political discussion. Our deputies should freely discuss the respective merits and drawbacks of the different options at hand. We called upon the Commission and the ESM to work closely together and to provide joint input for discussions. At this stage, the work should leave aside legal issues related to the constitutional set-up of the ESM as well as governance issues. The technical work on the backstop to the SRF would continue to be carried out as a work stream in an inclusive format. For now the discussions should take place in euro area format, though the format could be enlarged to the non-euro area members in later stages if deemed appropriate.

4. Miscellaneous

We had a brief exchange of views on the appointment of the new ECB Vice-President. We highlighted the skills and expertise of both candidates and thanked them for the interest and commitment they have shown. There was unanimous support in favour of recommending Luis de Guindos for the ECB Vice-Presidency.

Yours sincerely,

Mario CENTENO