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EUROSYSTEM

ECB-PUBLIC

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Members of the European Parliament

European Parliament

60, rue Wiertz

B-1047 Brussels

Frankfurt, 19 September 2016

L/MD/16/393

Re: Your letter (QZ-076)

Honourable Members of the European Parliament,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 27 July 2016.

As the ECB has already had the opportunity to explain to the European Parliament,¹ the ECB's role in the context of economic adjustment programmes, as in the case of Greece, mainly consists of acting in liaison with the Commission to determine the economic policy conditions attached to the financial assistance and reviewing compliance with these conditions on a regular (usually quarterly) basis. This is the basis on which the Finance Ministers of euro area countries decide on granting the assistance and making the related disbursements. Such activities are carried out in line with the relevant provisions of Regulation (EU) No 472/2013.

¹ See the ECB's replies to the questionnaire of the European Parliament supporting the own initiative report evaluating the structure, the role and operations of the 'troika' (Commission, ECB and the IMF) actions in euro area programme countries, available on the ECB website at https://www.ecb.europa.eu/pub/pdf/other/140110_ecb_response_troika_questionnairen.pdf

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In the case of the third economic adjustment programme for Greece, as mentioned in your letter, the Compliance Report prepared by the Commission staff, in liaison with the ECB, has been published on the Commission's website.² It provides an overview of macroeconomic, financial and fiscal developments and assesses compliance with programme conditionality, as set out in the Memorandum of Understanding signed by the European Commission, on behalf of the European Stability Mechanism (ESM), with the Hellenic Republic. The report is based on the findings of the missions to Greece carried out by the Commission every month between October 2015 and April 2016, together with ECB, ESM and International Monetary Fund staff.

As regards compliance with the conditions attached to the programme, a clarification of its general interpretation in a programme context appears useful. As set out in the above-mentioned report, agreed programme commitments can essentially take two forms: quantitative targets (mostly in the fiscal and financial domain) and policy commitments. Regarding quantitative targets, compliance is assessed by looking at the capacity to reach the target in the relevant period in a lasting way, without relying on one-off measures. Regarding commitments on policy action, compliance is assessed not only on the basis of the formal approval of the relative primary or secondary legislation, but also on the adoption of all other acts required to actually implement the policy. This being said, all policy actions are subject to implementation – and other – risks that may emerge over time, which in some cases may require additional policy actions to be taken.

On 22 June of this year the Governing Council of the European Central Bank decided to reinstate the waiver affecting the eligibility of marketable debt instruments issued or fully guaranteed by the Hellenic Republic as collateral for Eurosystem operations. The Governing Council's assessment took into consideration the approval by the ESM Board of Directors of the first disbursement of the second tranche of the current ESM programme for Greece. The decision of the ESM Board of Directors, in turn, followed the positive conclusion by the European Commission, in liaison with the ECB, of the first review of the programme.³ Moreover, the Governing Council also acknowledged the Greek government's commitment to implementing the ESM macroeconomic adjustment programme and, on this basis, expects a continued compliance with its conditionality. It should be added that the decision of the Governing Council was based solely on the commitments made by the Greek government in relation to the documentation for the third economic adjustment programme for Greece, adopted in mid-August 2015; the other two previous programmes had expired and were no longer binding on the Greek government.

Yours sincerely,

[signed]

Mario Draghi

² The document is available at http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/index_en.htm

³ The document is available at http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/pdf/cr_full_to_ewg_en.pdf

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