[Vice-President Dombrovskis’ opening speech at the Economist’s 22nd Roundtable with the Government of Greece]

Ladies and Gentlemen,

Thank you for inviting me to set the scene at today’s conference.

This year’s Economist’s roundtable comes at a crucial moment both for Greece and for Europe.

Two events are on my mind:

First, Greece is on the last mile towards a successful completion of its stability support programme. Great efforts and an incredible amount of work are on-going, ahead of the next Eurogroup to reach an overarching deal.

Greece is nearing the end of a very long journey – an ‘Odyssey’, you might call it. Greece has gone through trials and tribulations, faced adversity and difficult tasks and, not least of all: resisted temptation.

In this story, the victory belongs to the people of Greece who, I know, have endured hardship, but have also shown perseverance and resourcefulness.

Second, later in June, the Heads of State and Governments are expected to take decisions on the completion of our Economic and Monetary Union.

We have had three years of intensive discussions on completing Europe’s Economic and Monetary Union. It is time to decide and live up to our commitments.

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Ladies and gentlemen,

The economic context is good:

Last year Europe grew at its fastest pace in a decade, faster than the US. The growth is set to continue at a robust but slightly slower pace this year and next. Employment is at a record high, investment recovering, public finances improving.

However, we see new risks looming at the horizon, related to trade protectionism and volatility in global financial markets. Seeing the events of the G7 Summit unfold last weekend, we realise that the European Union needs to be united, stand up for a rules-based multilateral system but also be prepared for turbulences ahead.

No more excuses for inaction. These risks make it even more urgent to use the current good times to strengthen our growth fundamentals and enhance resilience, to be able to master challenges ahead.

The Comission has made several concrete proposals for that.

The Leaders' Agenda of the Heads of State and Governments recognised finalising the Banking Union and the reform of the European Stability Mechanism as priorities.

Progress is only viable if risk-reduction and risk-sharing go hand in hand.

We have made great strides in risk-reduction over the last years, combining new regulations, supervisory actions and reforms at the national level. The impact is visible.

For instance, the share of the Non-Performing Loans has been reduced on average by one third over the last three years. There are still large differences among countries, but good progress was made also by those with initially very high rates of NPLs, including Greece. Nevertheless Greece still has the highest level of non-performing loans in the European Union.

In March, we tabled further measures to improve conditions for Member States and banks to speed up the reduction of NPLs and to prevent their build-up in the future.

Two weeks ago the EU Member States reached a deal on our 2016 Banking Package, which introduces important internationally agreed prudential standards into EU rules.

On this basis, further progress on the risk-sharing side should also be possible.

In particular, we hope Member States will agree on a workable backstop for the Single Resolution Fund, to act as lender of last resort in case of a serious bank crisis. Merely by existing, the backstop would reinforce confidence in the banking system, thereby making itself less likely to be called on.

The outlines of the backstop are starting to take shape:

- it should have a sufficient size – about €60 billion – to be provided by the European Stability Mechanism.
- It should be permanent.
- And it should be able to provide significant funds with certainty at a short notice, so resolution can be completed over a weekend – or sometimes overnight – before markets open.

In addition, we should start political discussions on a European Deposit Insurance Scheme, which was part of the agreed 2016 roadmap to complete the Banking Union.

The Commission has also proposed to transform the European Stability

Mechanism into a European Monetary Fund within the EU legal framework. This would further strengthen its institutional anchoring and create synergies in terms of transparency, democratic accountability and efficiency. Member States have however preferred to keep the discussion in an intergovernmental setting so far.

We would also like to see more progress on the Capital Markets Union. This is crucial for diversifying the sources of financing for our companies and greater private risk-sharing across borders.

The paradox is that all parties seem to share this priority, especially in the light of the EU's largest financial centre – London – leaving the Single Market. But at the same time progress on the legislative proposals is insufficient.

The importance of taking even small steps forward should not be underestimated. As Homer said: 'A little rock holds back a great wave'.

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Ladies and Gentlemen,

Having well-performing and resilient economies is a matter of a common concern in the euro area. What happens in one country can affect another.

So we want to better support the Member States with the implementation of the reforms to make our economies more competitive, resilient and inclusive.

For this reason, the proposal for the next European Multi-annual Financial Framework reinforces the link between the EU budget and national policies.

We have proposed a new Reform Support Programme and a European Investment Stabilisation Function.

The two measures are complementary. By incentivising reforms at the national level and stabilising public investment during large asymmetric shocks, both instruments will reinforce the resilience of individual economies and the euro area as a whole. Responsibility and solidarity go hand in hand.

With €25 billion, the Reform Support Programme will offer financial incentives to Member States to carry out reforms. It will also offer technical support for the design and implementation of reforms in Member States, on their request.

The Reform Support Programmme will also offer financial and technical support for those Member States that have committeed to joining the euro and taking demonstrable steps towards euro area membership.

Now, on the European Investment Stabilisation Function. As we know, public investment is often first to be cut in the event of a crisis. This new instrument is designed to help Member States maintain their level of investment in the event of a significant downturn. We would offer back-to-back loans to maintain the on-going investments. These loans would be guaranteed by the EU budget of up to €30 billion and there would be grants to cover the related interest costs.

This instrument will be available to euro area and Exchange Rate Mechanism II countries. To be eligible Member States will have to comply with the fiscal rules under the Stability and Growth Pact and under the Macroeconomic Imbalances Procedure in the two years prior to the request.

We also want to continue support the Member States in their investment also ‘in normal times’. Our priority is investment in sustainable infrastructure; research, innovation and digitisation; small and medium-sized businesses as well as social investment and investment in skills. We wish to build on the successful model of the Investment Plan for Europe by setting up a new InvestEU Programme.

The InvestEU would get €15.2 billion so that the EU budget can provide a €38 billion guarantee and thereby trigger more than €650 billion in additional investment over the years 2021 – 2027.

More broadly, our proposal for the next multiannual EU budget was a complicated balancing exercise given the withdrawal of the United Kingdom from the EU. It addresses the new challenges such as security, migration and climate change, which are best tackled at European level. Greece will continue to benefit strongly from the EU budget, for example, through a substantially increased cohesion allocation. Also, in relation to migration and security, areas of particular importance for Greece, we propose to substantially increase the funding.

Ladies and Gentlemen,

A number of European leaders and finance chiefs – not least President Macron and Chancellor Merkel – have set out their ideas on new instruments, ranging from a euro area budget to an investment budget, from stronger precautionary instruments to unemployment reinsurance.

And they are right to push this debate.

It shows a growing consensus that Europe needs new instruments to foster convergence, promote reforms, and support euro area Member States which are hit by asymmetric shocks leading to high unemployment.

But the debate also shows how challenging a proper design of such instruments is. This is a bit like squaring the circle. You want an effective convergence and stabilisation, but resources are scarce. You want to show solidarity without undermining sound policy incentives for Member States.

The Commission’s proposals which I just outlined can show a pragmatic way forward on this. I am very much looking forward to discussions in the coming weeks.

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Ladies and Gentlemen,

In the last years, under the three successive programmes, Greece has undertaken unprecedented reform efforts to meet its challenges.

These efforts have been supported by unparalleled solidarity from the European partners.

The Greek economy, society and state underwent profound changes to regain macroeconomic stability, enhance competitiveness and growth and to modernise the state and its administration.

We stood and will stand by Greece.

Beyond the financial stability support, the Commission introduced in 2015 'The New Start for Jobs and Growth'. This mobilises up to €35 billion of EU funds until 2020. To date Greece has received almost €16 billion.

Greece also ranks first in the European Union in terms of total expected investment under the European Fund for Strategic Investments, compared to its GDP – €2.6 billion under EFSI is set to trigger €10 billion in additional investments.

Greece benefitted also from technical support for the design and implementation of reforms. The Commission's Structural Reform Support Service coordinated over 100 projects covering almost all reform areas under the stability support programme. The support was instrumental, for example, in setting up the new Independent Authority for Public Revenue or putting in place the first system of basic protection against extreme poverty – the Social Solidarity Income.

Yesterday, the Commission has decided on the implementation of a further 32 projects and we are very much looking forward to our continuous good cooperation with our Greek counterparts.

The reforms in Greece are bearing fruit.

The Greek economy expands – real GDP growth in 2017 was 1.4% and it is projected to be about 2% this year. Employment is set to grow and the unemployment rate to fall gradually. Investment has started to recover, in particular in sectors that have been reformed recently.

Greece is also one of the eight euro area Member States that are projected to have a budget surplus in 2018. We see some fiscal space emerging over time. Of course, details regarding the use of this fiscal space will need to be discussed, but this is a positive development.

Two months from now, Greece will complete its programme. It will be a delicate, yet perfectly doable exercise, provided that all parties show commitment and act responsibly. Actually, we are working to reaching an overall agreement in Eurogroup in one week from today.

There are three crucial elements.

First, we need a successful completion of the fourth review. As we speak, the

Greek Parliament is debating the prior actions, which will be put to vote later today.

Second, there needs to be an agreement on the debt measures. Upfront debt measures would be important for ensuring Greece’s gradual return to the markets.

Third, there needs to be an agreement on the post-programme framework. To ensure sustained growth, Greece needs to stay the course of reforms.

This includes adherence to the agreed post-programme fiscal trajectory with 3.5% of GDP primary surplus targets until 2022. Afterwards, these are expected to decline to a steady state of at least 2% of GDP. Given the high level of public debt, the room for manouever is limited.

Looking forward, the issue is how to ensure robust and sustainable economic growth and ever higher standards of living and social protection for the Greek citizens.

There are three elements that I consider of particular importance in that respect:

- The first one is financial and macroeconomic stability.

This means responsible fiscal, economic and financial policies that minimise the vulnerability to external or domestically-generated shocks.

This also means strong financial institutions to finance the real economy.

- The second element is economic resilience and investment.

This requires an efficient state and strong institutions, including justice system, to ensure a favourable and predictable business environment. Innovation, education and skills must be a priority.

- The third element is fairness.

The benefits of growth need to reach all our citizens, and all our citizens need to be empowered to harness the opportunities over the course of their entire career span. Intergenerational fairness must also be preserved. Access to modern and sustainable social protection system should be ensured.

Ladies and Gentlemen,

Let us learn the lessons from the efforts and experience of the past decade. Let us show through our decisions in coming weeks that we are not only ‘older’, but also ‘wiser’.

Let us build a strong Greece at the heart of a strong Europe.