

Remarks by Mário Centeno following the Eurogroup videoconference of 8 May 2020

Good afternoon from Lisbon.

It was already a month ago that we last met for a very long but successful meeting. You may remember that. I certainly do. The hard-fought balance reached in that meeting has set the stage for swifter and more operational meetings, such as the one today. Long meetings paved the way for bold decisions.

We are implementing our agreement on three safety nets, for workers, for businesses, and for sovereigns. Leaders have endorsed our plan and set a target date of 1 June to make them operational. We are getting there on time.

The Eurogroup ministers and its deputies have been working hard to flesh out the ESM-based safety net for sovereigns, the Pandemic Crisis Support. In the meantime, work is progressing well on the two other safety nets in the Council and the EIB.

Today, we agreed on the features and standardized terms of the Pandemic Crisis Support to be provided by the ESM. We also confirmed that all ESM members meet the eligibility criteria to access this safety net.

Let me go into some more detail.

The size of the instrument would be 2% of individual member state GDP, as a benchmark.

Member states requesting support will commit to use this instrument to support domestic financing of direct and indirect healthcare, cure and prevention related costs due to the COVID 19. There are no other strings attached to the use of the facility. Let me stress that: there are no other requirements attached to the use of the facility.

This commitment will be detailed in a "Pandemic Response Plan" prepared on the basis of a common template that we have also agreed upon today.

After accelerated procedures to grant Pandemic Response Support, the facility will be available, on a precautionary basis, for the member state concerned for a period of 12 months, which can be extended twice, by six months. Disbursements would then be available on request.

Reflecting the exceptional nature of the crisis, we have agreed on favourable and adequate financial terms: these loans will have an average maturity of 10 years and will carry a low financing cost.

Monitoring and surveillance will remain proportionate with the particular challenge of the crisis, meaning that it will focus on the health-related expenditures. We are therefore far from the sovereign crisis style of monitoring. We are setting a termination date for this instrument at the end of December 2022 but this could be adjusted, either made shorter or extended, if the crisis is prolonged. It's on us to make sure this is not the case.

The next step is the formal confirmation of our agreement in the ESM Board of Governors, which I would expect to happen well ahead of 1 June. Based on our current plans, the confirmation could be already on 15 May, subject to the completion of national procedures.

I stress the timing here, because we need these backstops to be made available as soon as possible. With the Commission's economic forecast discussed in the Eurogroup today, we were reminded of the urgency we are in, and the urgency of these measures to be on the ground. The economic outlook is very telling of where we are, and it underpins everything that we have been doing as finance ministers and in the Eurogroup in this crisis. The dire forecast for this year confirms the scale of the challenge. For instance, a gap of €850 billion in investment which we must address. For that, we need a robust recovery plan for Europe. Our three backstops go a long way in levelling the playing field for the emergency phase, but we need to do the same for the recovery to protect the single market and the European project. We will come back to this in our meeting, end of next week.

I also reported on a couple of G7 calls in which I participated on behalf of the euro area – global economic coordination is obviously crucial in times of crisis. These calls are also an opportunity to explain to our economic partners how the euro area is responding to the crisis. When we compare with our partners, I should add that Europe comes out as particularly forthcoming both in size of its response and as in speed of decision-making.

We also touched upon some ongoing files unrelated to the crisis.

We discussed the updated draft budgetary plan of Austria – this was mostly a procedural point.

We also heard about the 11th post-programme surveillance mission for Portugal, which I am glad to report went very well. The efforts made by Portugal during the last few years to strengthen economic fundamentals will help to tackle the current crisis and support a swift recovery.

Let me conclude precisely on that hopeful note.

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