# Remarks by Mário Centeno following the Eurogroup videoconference of 11 June 2020

Our meeting today marked a new phase in our crisis response. The safety nets for workers, firms and sovereign in the emergency phase were agreed and are ready to use. As we turn the page towards the recovery, we took stock of the economic situation and the required policy measures to support this recovery.

Visibility is low, forecasts change every month and risks are still significant. In any case, we are in a deep recession. Policy action to support the recovery at EU level is needed now.

The Commission has put forward a proposal for an unprecedented recovery package, integrated in the multi-annual financial framework. The negotiation of this file will be conducted by leaders at the European Council. The Eurogroup has been mandated to work on the recovery. Given the economic relevance of this fund, finance ministers are well placed to discuss investment needs. We will focus on the quality of expenditure and work on the complementarity of national and EU level recovery plans. We stand ready to follow up on leaders decisions.

The key element of this package is the recovery and resilience facility to support member states’ reforms and investments. As you recall, it inherits the spirit of the euro area budget instrument, but in a temporary form and for the EU as a whole.

Today the finance ministers looked at how they can best coordinate their efforts when putting together their recovery plans. Coordination, in particular within the euro zone, is key to ensure that we avoid divergence and the build-up of our imbalances. Protecting the single currency is as critical as protecting the single market. In fact, they are interlinked.

Let me be specific: we discussed a possible euro area dimension to the recovery facility. The European Semester is at the heart of the proposed Recovery and Resilience Facility, and has always had a strong euro area dimension reflected in the Euro Area Recommendation. Taking this recommendation into account would be an appropriate way to give a legitimate euro area angle to the recovery funds. The Eurogroup follows this issue closely.

Today we also picked up on some old Eurogroup topics. Namely Greece. We discussed the sixth enhanced surveillance report by the Commission. Clearly, these are difficult times, also for the Greek economy. But the policy response from the Greek authorities has been decisive and appropriate, thereby mitigating some of the adverse effects of the crisis.

Even in this extraordinary situation, Greece has been able to continue the reform progress – though of course there are inevitable delays. Overall, the Commission concludes that Greece has taken necessary action to deliver on its reform commitments. On this basis, we have reached a political understanding on the approval of the next tranche of debt measures.

You are familiar with the process that follows. Our deputies will formally approve the policy-contingent debt relief measures, after national procedures. These debt measures concern the reduction to zero of the step-up interest margin on certain EFSF loans and also the transfer to Greece of profits made by the central banks on Greek governments bonds, the so-called SMP and ANFA. This all adds up to a grant of 748 million euros.

We also looked at the post-programme surveillance for Cyprus and Spain. Also, for these countries, we fully realise that these are very challenging times. We commended both cases for their policy response. I am confident that the measures put in place by the authorities to address the pandemic, as well as the economic and financial reforms implemented during the last few years, will help to withstand the current shock.

We had a very fruitful discussion on Banking Union – the first one after the virus outbreak. The context was the hearing of the SSM chair and the update on the SRB’s activities, for which we counted with Andrea Enria and Elke Koenig’s contribution. They informed us about the state of play of the banking sector and on the measures taken by their respective institutions to enable banks to play their part in supporting the economy during the COVID-19 crisis, and shield them from its unduly impact.

Banks entered this crisis better capitalized and in a better liquidity position than in previous ones. Banks went from being a shock amplifier in the sovereign debt crisis, to become a shock absorber in this crisis. That is due to the good work done in the last decade. Nonetheless, some of the pre-existing vulnerabilities, notably the low profitability of the banking sector, have been aggravated by the current crisis. They need to be addressed.

We need a solid and resilient banking sector to support our recovery. That is why we all agreed today that the work on the strengthening of the Banking Union must continue. Our efforts on this file were halted by the immediate response to the COVID-19 crisis. We have asked our deputies to restart the preparatory work as soon as possible so we can have a first discussion in the autumn. This work should move forward in a holistic manner, including the ESM and the backstop, EDIS, crisis management, sovereign exposures and financial stability, cross-border integration, liquidity in resolution and the early introduction of the backstop.

Let me close this initial statement with a non-policy issue, but important nonetheless. I have informed ministers about the procedure for the election of the next President of the Eurogroup. The official call for candidates will be launched shortly by the Council. Ministers have until 25 June to send a motivation letter backing their respective candidacies. The election will then take place at the Eurogroup in early July. Let me recall that the

Eurogroup President is elected for a term of two and a half years. Candidates have to be ministers responsible for finance. The President is elected by a simple majority of euro area ministers.

In this context, I have informed my fellow ministers today that I will not be seeking a second mandate. I will remain President of the Eurogroup until the end of my mandate, which is 12 July. All good things come to an end. But you will still see me here in our July meeting.

It will be a *grand finale* with a full agenda and the election of the next president.

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