

Remarks by Mário Centeno following the Eurogroup videoconference of 9 April 2020

Good evening, from Lisbon. Today we answered the call from our citizens for a Europe that protects. It took us a total sixteen and a half hours of meetings, and many more in preparations, to pick up this call – but we did. I re-convened the Eurogroup again today, together with non-euro-area Finance Ministers, to conclude our work on a comprehensive economic policy response to the COVID19 outbreak. I will also send a letter to the President of the European Council reflecting all the proposals that have been made and which informed our agreement today.

This response contains bold and ambitious proposals that would have been unthinkable just a few weeks ago. We can all remember the response to the financial crisis of the last decade when Europe did too little, too late. This time around, it is different.

We have already seen a rapid, massive, co-ordinated impulse from the monetary and fiscal authorities and from regulators. Nearly 3% GDP of fiscal measures, enhanced flexibility, additional liquidity schemes of 16% of GDP. Every time we meet, the numbers go up. If we combine these numbers we will have to start talking in trillions of euros.

That was our first line of defence emerging at national level. And now we are building European solutions, also in record time, because we will only come through this test together, as Europeans. Going into the crisis, our nations' capacity to respond was different, we are not all at the same level, despite all the flexibility. It can become much worse on the way out of the crisis. That is why solidarity is key, if we are to stop deep fragmentation in the euro area.

Today we tackled this risk. I want to focus on three safety nets we are weaving together – one for workers, one for businesses and another one for countries.

Let me talk first about workers and the self-employed. We have created 13 million jobs since the last crisis – this took many years of hard work. Many have been destroyed in only a few weeks. We need an additional layer of EU protection to ensure many more will not be lost in the future. Currently, we rely solely on the safety nets that are in place in each member state. These take many forms – schemes to support short-time work, unemployment benefits and many other schemes. But these safety nets are facing unprecedented pressure in some parts of our Union. That is why we welcomed the creation of a temporary European instrument to support national safety nets in this crisis – what the Commission has called 'SURE'. This will put together our collective financial strength at the national and European levels, to channel up to 100 billion euros to the national systems facing the greatest

pressures. This will now be taken forward and fine-tuned in the legislative process.

The second safety net is for businesses facing difficulties, in particular SMEs. Across the world, travel has been curtailed, daily life has been put on hold and workers have stayed at home. This may stop transmission of the virus, but it also stops transmission of many goods and services. From the start, we have been putting together national schemes to give viable firms, the liquidity they need to make it through this difficult period. And, at the European level, the state aid rules have been adjusted.

But some national schemes are more advanced than others and are backed by greater financial firepower. Our single market needs a level playing field and Leaders asked us to see how to scale up the actions of the European Investment Bank. This is why, today, we have welcomed the initiative of the EIB to create a pan-European shield which aims to guarantee 200 billion euros of lending with a focus on small and medium-sized enterprises. Again, this scheme is based on our collective financial strength at the national and European levels. Because we are stronger together. That is the safety net for firms.

Finally, the safety net is for member states. Today, we agreed to establish Pandemic Crisis Support for the amount of 2% of member states' GDP. That is close to €240b. This is an important safeguard for all euro area countries during these times of crisis. It will be available to all ESM members, with standardised terms, on the basis of an up-front assessment by the European institutions.

Any euro area country requesting this support remains subject to the EU's economic and fiscal co-ordination and surveillance frameworks. The only requirement to access the credit line will be that the country would commit to using these funds to support domestic financing of direct and indirect healthcare, cure and prevention related costs due to the COVID 19.

I should add that, my interpretation, as President, is that the average Euro Area Member State affected by the COVID-19 crisis should be able to identify expenditures directly or indirectly related to healthcare, cure and prevention amounting to 2% of GDP.

This agreement shows we have the political will and flexibility to take the instruments we created during the last crisis – in this case the ESM – and make them relevant and appropriate for the current crisis. We would strive to make this Pandemic Crisis Support operational within two weeks.

Those were the three new EU safety nets I wanted to talk about today. They add up to around half a trillion euros: a step-change in the economic coordination within our Union. This emergency plan will shield our economic and social fabric, as we dive into a recession.

When the health crisis abates, we will need to spur economic recovery. It is imperative that we grow together, and not apart, and that we protect the internal market in doing so.

Now is the right time to start this discussion. Far-sighted leaders plan for peace before the fight is over. That is why, today, we have discussed the next steps.

The next EU budget will be a key component of this strategy. But, today, we also agreed to work on a Recovery Fund, which would turbo-charge the European investments that we will need to build a better, greener, more resilient and more digital economy.

As with the 3 safety nets, this fund would pool our financial strength, to accelerate the investments we need. This fund would be temporary, targeted, and commensurate with the extraordinary costs of the current crisis and help spread them over time through appropriate financing. Subject to guidance from Leaders, discussions on legal, practical and financial aspects will prepare the ground for a decision.

Some member states expressed the view that this should be achieved via common debt issuance; other member states said that alternative ways should be found.

Let me wrap up. Today we agreed three safety nets and a plan for the recovery to ensure we grow together and not apart once the virus is behind us. I will report to Leaders on our achievements.

All these build on our collective financial strength and our European solidarity. The numbers and quality of the proposals we take to the European Council reveal that in the face of a tremendous threat to our lives and institutions we are ready to bury our differences. At the end of the day, or should I say, at the end of the third day, an appropriate number for the season, what matters the most is that we rose to the challenge – our citizens expect and deserve nothing else.

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