



Report on the comprehensive economic policy response to the COVID-19 pandemic

DRAFT

I. Introduction

1. The COVID-19 pandemic constitutes an unprecedented challenge with very severe socio-economic consequences. We are committed to do everything necessary to meet this challenge in a spirit of solidarity.
2. A coordinated and comprehensive strategy is necessary to deal with health emergency needs, to support economic activity and to prepare the ground for the recovery. This strategy should combine short, medium and long-term initiatives, taking account of the spill overs and interlinkages between our economies and the need to preserve confidence and stability.
3. Several measures have already been taken at the national and EU levels, as set out in the statement of the Eurogroup in inclusive format of 16 March. A subsequent letter of the President of the Eurogroup of 24 March outlined further elements of policy response under consideration. The European Council, in its statement of 26 March, invited the Eurogroup to present proposals on the economic response to the COVID-19 pandemic within two weeks. Replying to the Leaders' mandate, this report takes stock of actions taken thus far and outlines a comprehensive and coordinated economic response.

II. Coordinated actions taken so far at the level of the Member States, the EU and the euro area

4. Since the onset of the crisis, Member States have continuously stepped up efforts to support the economy.
5. A timely, temporary and targeted discretionary fiscal stimulus is being provided in a coordinated manner. Significant public resources are directed to strengthen the healthcare sector and civil protection mechanisms and to support affected workers and economic sectors. To date, the aggregate amount of Member States' discretionary fiscal measures amounts to 3% of EU GDP, a threefold increase since 16 March, on top of the significant impact of automatic stabilisers.
6. Furthermore, Member States have so far committed to provide liquidity support for sectors facing disruptions and companies facing liquidity shortages, consisting of public guarantee schemes and deferred tax payments, which are now estimated at 16% of EU GDP, up from 10% on 16 March.
7. The Ministers of Finance stand ready to take further measures as needed, as developments unfold.

8. **Flexibility in EU rules.** On 23 March, Ministers of Finance agreed with the assessment of the Commission that the conditions for the use of the general escape clause of the EU fiscal framework, a severe economic downturn in the euro area or the Union as a whole, are fulfilled. This offers the flexibility necessary to the national budgets to support the economy and to respond in a coordinated manner to the impact of the COVID-19 pandemic. Overall fiscal guidance will be provided within this framework and as part of a streamlined European Semester exercise. We welcomed the Commission's decision to issue a specific temporary state-aid framework to expedite public support to companies, while ensuring the necessary level playing field in the Single Market as well as the recent extension of the framework to cover support for research, testing and production relevant in the fight against the COVID 19 pandemic. We also welcome the Commission' guidance on the use of all the flexibilities offered by the EU public procurement framework in this emergency situation, issued on the 1st of April.
9. **Use of the EU budget.** We welcome the proposals by the Commission to make best use of existing EU budget resources to fight the crisis. The proposal for a Coronavirus Response Investment Initiative was approved by the European Parliament and the Council and is in force as of the 1st of April. This will allow the use of EUR 37 billion under cohesion policy to address the consequences of the COVID-19 crisis. In addition, the scope of the Solidarity Fund was broadened to include major public health crises. Starting from the 1st of April, this allows the hardest hit Member States to get access to financial support of up to EUR 800 million in 2020.
10. **Monetary Policy.** We welcome the resolute action taken by the European Central Bank to support liquidity and financing conditions to households, businesses and banks, which will help to preserve the smooth provision of credit to the economy. On 18 March, the ECB decided to launch a EUR 750 billion Pandemic Emergency Purchase Programme (PEPP), to expand the range of eligible assets under the corporate sector purchase programme (CSPP) and to ease the collateral standards. These measures are aimed at ensuring that all sectors of the economy can benefit from supportive financing conditions that enable them to absorb the Covid-19 shock.
11. **Financial Stability:** We welcome the guidance provided by supervisory authorities to financial institutions on the interpretation and application of the regulatory requirements in the current exceptional circumstances. We also welcome the release of capital buffers. To overcome the financing pressures faced by firms and households, making full use of the flexibility provided for in the regulatory framework is essential. We will continue to monitor closely the evolution of the situation and to coordinate European and national measures. Where necessary, we stand ready to take further actions, including legislative measures, if appropriate to mitigate the impact of Covid-19.

III. Additional crisis response instruments and preparing the ground for the recovery

12. At this critical juncture, we are ready to step up the EU response to support, bolster and complement efforts made so far. We are committed to ensure the conditions for an adequate response to the crisis in every EU Member State. In that context, measures envisaged by the European institutions should be implemented in light of the severity of the economic consequences of the pandemic on individual Member States.
13. **EU budget flexibility.** We welcome the Commission's proposals regarding the further temporary flexibility in the use of EU funds, such as allowing transfers between funds, regions and policy

objectives, abandoning national co-financing requirements and supporting vulnerable members of society. This will help to mobilise effectively the EU budget to face the repercussions of the COVID-19 pandemic.

14. **Emergency Support.** We agreed that a dedicated COVID-19 instrument to support the financing of emergency aid, through the provision of grants, is necessary, to first and foremost reinforce our healthcare systems. In this context, we welcome the Commission proposal of 2 April to re-activate the Emergency Support Instrument in the context of the COVID-19 outbreak. This instrument can at this stage provide support of EUR 2.7 billion from EU budget resources. Its firepower can be strengthened rapidly, through additional voluntary contributions from Member States. We call on Member States to explore ways to further reinforce the Emergency Support Instrument in the context of the legislative process.
15. **Strengthening EIB activities.** We welcome the initiative of the EIB Group to create a pan-European guarantee fund of EUR 25 billion, which could support EUR 200 billion of financing for companies with a focus on SMEs, throughout the EU, including through national promotional banks. We invite the EIB to operationalize its proposal as soon as possible and stand ready to put it in place without delay, while ensuring complementarity with other EU initiatives and the future Invest EU programme. This initiative is an important contribution to preserving the level playing field of the single market in light of the national support schemes.
16. **Safety nets in the EU and EA.** Safety nets are in place in the euro area and the EU. In the euro area, the ESM is equipped with instruments that could be used, as needed, in a manner adapted to the nature of the symmetric shock caused by COVID 19. We propose to establish a Pandemic Crisis Support, based on the existing ECCL precautionary credit line and adjusted in light of this specific challenge, as a relevant safeguard for euro area Member States affected by this external shock. It would be available to all euro area Member States during these times of crisis, with standardised terms agreed in advance by the ESM Governing Bodies, reflecting the current challenges, on the basis of up-front assessments by the European institutions. The only requirement to access the credit line will be that euro area Member States requesting support would commit to use this credit line to support domestic financing of direct and indirect healthcare, cure and prevention related costs due to the COVID 19 crisis. . The provisions of the ESM Treaty will be followed. Access granted will be 2% of the respective Member's GDP as of end-2019, as a benchmark. With a mandate from the Leaders, we will strive to make this instrument available within two weeks, while respecting national procedures and constitutional requirements. The credit line will be available until the COVID 19 crisis is over. Afterwards, euro area Member States would remain committed to strengthen economic and financial fundamentals, consistent with the EU economic and fiscal coordination and surveillance frameworks, including any flexibility applied by the competent EU institutions. The Balance of Payments Facility can provide financial support to Member States that have not adopted the euro. It should be applied in a way which duly takes into account the special circumstances of the current crisis.
17. **SURE.** In the spirit of solidarity and in light of the exceptional nature of the COVID -19 crisis, we agree on the need to establish, for the duration of the emergency, a temporary loan-based instrument for financial assistance under Article 122 of the Treaty on the Functioning of the European Union. We strive to make the instrument operational as soon as possible. In this context,

we welcome the Commission proposal of 2 April to set-up a temporary instrument supporting Member States to protect employment in the specific emergency circumstances of the COVID-19 crisis. It would provide financial assistance during the time of the crisis, in the form of loans granted on favourable terms from the EU to Member States, of up to EUR 100 billion in total, building on the EU budget as much as possible, while ensuring sufficient capacity for Balance of Payments support, and on guarantees provided by Member States to the EU budget. The instrument could primarily support the efforts to protect workers and jobs, while respecting the national competences in the field of social security systems, and some health-related measures. This proposal should be taken forward without delay in the legislative process. The Member States' position on this emergency instrument does not pre-judge the position on future proposals related to unemployment insurance. Consistent with its legal basis, access to the instrument will be discontinued once the COVID-19 emergency has passed.

18. We agree that a coherent strategy in the EU is needed to support Member States' efforts to return to a normal functioning of our societies and economies and to promote a relaunch of economic activity and investment to ensure sustainable growth.
19. **Recovery Fund.** In this context, we also agreed to work on a Recovery Fund to prepare and support the recovery, providing funding through the EU budget to programmes designed to kick-start the economy in line with European priorities and ensuring EU solidarity with the most affected member states. Such a 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 the legal and practical aspects of such a fund, including its relation to the EU budget, its sources of financing and on innovative financial instruments, consistent with EU Treaties, will prepare the ground for a decision
20. **Upcoming MFF.** The next EU Multiannual Financial Framework (MFF) will play a central role in the economic recovery. It will have to reflect the impact of this crisis and the size of the challenges ahead, by setting the right priorities, to allow Member States to effectively address the fallout of the coronavirus crisis, to support the economic recovery, and ensure that cohesion within the Union is maintained through solidarity, fairness and responsibility. We welcome the Commission's intention to adapt its MFF proposal to reflect the new situation and outlook.
21. **Roadmap for Recovery.** Work is ongoing on a broader Roadmap and an Action Plan to support the recovery of the European economy through high quality job creation and reforms to strengthen resilience and competitiveness, in line with a sustainable growth strategy. It should put in place the conditions to relaunch our economies whilst promoting economic convergence in the EU and reducing any fragmentation resulting from the crisis, including through the rapid restoration of the full functionality of the Single market. The President of the Commission and the President of the European Council, in consultation with other institutions, including the ECB, have started work to this end. The Eurogroup stands ready to contribute and support this endeavour.
22. Today we are engaged in an effort to safeguard the health and lives of European citizens and to tackle the immediate economic challenge. This includes the fiscal means Member States need to finance the necessary measures. The recovery of the European economy poses a big challenge. We will act together in solidarity and we will deliver. This includes the necessary progress in strengthening the European Union.

IV. Next steps

23. The Eurogroup will pursue the work needed taking into account the intention of the Council Presidency to take the legislative proposals forward without delay.