

ESM Board of Governors backs Pandemic Crisis Support

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(Luxembourg) - The Board of Governors of the European Stability Mechanism (ESM) approved today the establishment of Pandemic Crisis Support, to be made available to all ESM Members. The features and terms of the facility were agreed by the Eurogroup on 8 May 2020. The facility is based on the existing precautionary credit line called Enhanced Conditions Credit Line (ECCL).

“Over the next two and a half years, the ESM will have €240 billion available to help its members fight the pandemic crisis. This is an innovative instrument with favourable lending terms and no macroeconomic conditions attached. By setting up this instrument in record time, finance ministers showed that the ESM is a true emergency backstop with a flexible toolkit that can be used to meet the needs of our time,” said Mário Centeno, Chairman of the ESM Board of Governors.

“As a result of the coronavirus pandemic and the unprecedented economic downturn, governments have increased spending to address their urgent health care needs. As a result, all 19 ESM Members will have very large fiscal deficits this year. With ESM Pandemic Crisis Support, Members can finance a part of those needs in a safe way, with very low interest rates. This can be attractive since the only condition

attached to this financial support is the requirement to spend the money on direct and indirect health sector costs, linked to the pandemic,” said ESM Managing Director Klaus Regling.

[Preliminary assessments](#) by the European Commission, regarding financial stability risks, bank solvency, debt sustainability, and on the eligibility criteria for accessing the Pandemic Crisis Support, confirmed that all ESM Members are eligible for support.

For a requesting ESM Member, the available amount will be 2% of its gross domestic product (GDP) as of end-2019, as a benchmark. Should all 19 countries draw from the credit line, this would amount to around €240 billion. Once a facility is signed, the ESM can disburse money under the credit line over a period of twelve months, which can be extended twice for six months.

If an ESM Member applies for the credit line, funds do not have to be drawn. Credit lines are designed to be a protection or insurance. If loans are drawn, they will have a maximum average maturity of 10 years. The country will need to pay a margin of 10 basis points (0.1%) annually, an up-front service fee of 25 basis points (0.25%), and an annual service fee of 0.5 basis points (0.005%).

The agreed average maturity of the loans gives the ESM flexibility to use its wide range of funding products. The disbursement modalities of 15% per month of the total support volume will enable the ESM to fund potential liquidity needs smoothly over time.

The ESM’s long-term funding programme remains at €11 billion for 2020. The ESM has completed its target of raising €6.5 billion in the first two quarters of 2020, with €4.5 billion remaining for the year. If a country draws from Pandemic Crisis Support, the ESM’s funding plans will be adjusted to finance the loan.

The ESM Members benefitting from Pandemic Crisis Support will be subject to enhanced surveillance by the European Commission. According to the Commission, the monitoring and the reporting requirements will focus on the actual use of the funds to cover direct and indirect healthcare costs. Also, there will be no ad-hoc missions in addition to the standard ones that take place within the European Semester. The ESM will carry out its Early Warning System to analyse the beneficiary

country's repayment capacity in coordination with the Commission's surveillance.

A country can access the ESM's Pandemic Crisis Support by sending a request to the Chairperson of the ESM Board of Governors until 31 December 2022. Individual requests for Pandemic Crisis Support have to be approved by a unanimous vote of the ESM Board of Governors (the 19 euro area finance ministers).

[Further information on ESM Pandemic Crisis Support](#)

[Further information on the ESM Board of Governors](#)

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