

Klaus Regling at Eurogroup video press conference

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Transcript of remarks by ESM Managing Director Klaus Regling

Video press conference after Eurogroup meeting

15 May 2020

Good evening to all of you. Today, as you heard, we took the final step to make the ESM's Pandemic Crisis Support fully operational. That decision was taken by the Board of Governors, the highest decision-making body of the ESM.

So now this credit line is available for all euro area member countries, to finance urgent direct and indirect health care related needs. And members can finance a part of those needs in a safe way at very low interest rates, currently around zero. Each member state will benefit from the support in a volume of two percent of its GDP. I think this can be attractive since the only condition attached to this support is the requirement to spend the money on direct and indirect health sector costs linked to the pandemic, as also Commissioner Gentiloni just mentioned. And if member states use ESM money to finance these costs, they can use their own money to finance other parts of the growing fiscal deficit.

It is also important in this context that the European Commission's assessment confirmed that all 19 euro area and ESM member states are eligible for support. So all countries can apply. If an ESM member applies for the credit line, funds do not have to be drawn. It's a precautionary credit line, so it's designed to be like a protection or insurance. Of course, once a country applies, the credit line and the possibility to draw from it is there for the time of the entire availability period, and

that without a decision by ESM bodies.

If loans are drawn, they will have a maximum average maturity of 10 years. The ESM members that benefit from the Pandemic Crisis Support will be subject to monitoring by the European Commission. But the Commission has indicated that this monitoring will be adapted to the circumstances. It will focus only on the actual use of the funds to cover direct and indirect health care costs. Also there will be no missions in addition to the standard ones. Likewise, the ESM will carry out its Early Warning System to assess country's ability to repay the loan, but this has nothing to do with conditionality.

Let me also say that we had an exchange of views with the President of ECON committee of the European Parliament, as you heard. The ESM is an international organisation; legally we are not an EU institution. So therefore, we are not accountable to the European Parliament. Nevertheless, we cooperate closely with the European Parliament, particularly with the ECON Committee. I have accepted their invitations frequently in recent years. The last one was in March, to inform members of the ECON committee about the work of the ESM. And I believe it is important that members of the European Parliament are well informed also about our work.

A final word on the general discussion we had of Europe's response to the corona crisis. Just a few words from the ESM perspective. I think it's important that the European institutions are able to provide financing quickly during this first phase, this emergency phase of the crisis. And we are still in this emergency phase. That's why the Eurogroup and Summit agreed on this €540 billion package - the Commission, via the SURE programme, the EIB and ESM. And this money will help particularly those countries that are most affected by the crisis. The implementation will be done deliberately that way to compensate for the asymmetric response that we see at the national level. And this is important, as also Commissioner Gentiloni said, to protect the single market, to maintain a level playing field and to avoid excessive divergences within the euro area.

Many ministers made the point today in the Eurogroup that we have one European economy. We don't have 19 economies in the euro area or 27 in the European Union. So in a way, the fact that we will help the most affected countries more is in a way not solidarity; it's really in self-interest of all member states. And I think a

similar approach will be needed during the recovery phase - the second phase that will follow the emergency phase, and that may last much longer. Two or three years, probably. And the recovery fund that is under discussion and the EU budget will be at the centre of that and will be essential also because it's hard to see how grants can really be made available except via the EU budget. Thank you.

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Question if Mr Regling could calculate, for some countries that are reluctant to tap into ESM's Pandemic Crisis Support, how much they could save, e.g. how much Greece would save if it taps into the ESM tool.

Yes, I can give a rough estimate on that, but I wouldn't share your view that countries are reluctant. All the member states of the ESM - all 19 countries of the euro area support this instrument, have created this instrument, and it's now available. Also after all the work done by the Commission on the assessment. And it's only available as of today. So the fact that nobody has requested it during the last two hours, I think should not be misinterpreted. And it's available. It doesn't mean that it has to be used. But the fact that it's available is already the first positive element. Then if a country wants to use it, requests it, as I explained in my introductory remarks, it doesn't mean that money will flow. A country can request such a credit line. And that's very much like what the IMF offers. Precautionary credit line. The IMF made its precautionary credit line available to several countries in the last few years, but the money was never activated. So there are several stages.

If, and that was your question, if indeed then the money flows to the country in the amount of two percent of GDP, which in the case of Greece, would be €3.7 billion. So many ifs before that. Then one can calculate, one can try to calculate what the savings are from today's perspective. Because it will depend on market developments, on interest rates.

As of today, when I look at the secondary market yield for 10-year Greek bonds and I look at our own funding costs, which are around zero, then over the length of the loan, Greece could save around €800 million, but that's only one advantage. The other one is that this is safe money, as I said, because we are different from other creditors. If there's another problem, we will not withdraw this money; the money

will be there, like the other money we credited to Greece over the last decade.

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