

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 8 May 2020

Good evening, everybody. This was indeed an important meeting. Let me start with a few words on Portugal, because that is an important part of our work. Portugal is one of the countries that borrowed from the EFSF. So we need to go and always

analyse whether there are risks to repayments to the EFSF, and also the mission took place in February, which means the data that are in that report are outdated. It was still an important mission because it was the opportunity to take stock of the positive developments in Portugal last year, including the fiscal surplus, for the first time in many, many decades. And that has an important effect even now, where the general economic situation has deteriorated so much, and we can see that by the fact that Portugal has maintained very good market access. So we, as the largest creditor of Portugal, don't see any risk for being repaid in the next few years.

On the [Commission's Spring 2020 economic] forecast, the Commissioner talked about that. But I wanted to make one remark that in my view, this is a very balanced forecast, prepared under very challenging circumstances. There's huge uncertainty. There are big risks, as the Commissioner has said. But I want to make two important remarks here. One, that without the measures that have been taken by our member states and also at the European level, the economic situation would be much worse. I think we have to remember that this tremendous amount of measures taken are really important to limit the damage.

And the second remark is that the European measures, the measures taken today and offered by the ESM, by the EIB, and the Commission with the SURE programme, are designed and will be implemented to compensate for the fact that the national measures are asymmetric. And I think that's truly important to protect the single market and also to avoid divergences in the euro area. Then a few words on the ESM's Pandemic Crisis Support. The President of the Eurogroup and the Commissioner have already talked about some of the details. But I'm very pleased from the ESM's perspective that we have come to a positive conclusion in record time; a short period of time was needed to forge a consensus among the member states. And I'm confident that after the national procedures next week, the Board of Governors can make the Pandemic Crisis Support mechanism operational a week from today. I want to thank our partner institutions, the Commission and the ECB for very good cooperation, otherwise this would not have been possible. And also our member states, of course.

Today's agreement shows that Europe is ready and able to act and to address this crisis that is without any precedent. Money from the Pandemic Crisis Support can be made available rapidly to cover health care costs. And the money will be made available at very low cost, given our top rating. The cost will be only marginally above zero. The member states that decide to draw from the credit line will commit

to use the money for direct and indirect health care costs. And this is the only condition, as has been said before. But I want also to confirm that point because it's politically so important. There is no other condition attached to this facility and each member state can benefit from the support in the volume of two percent of its GDP. If all member states were to draw from this facility, which I do not expect, of course, but if all were to do it, this would add up to €240 billion.

The loans provided will have an average maturity of 10 years. This will allow to spread out over a long period of time the costs related to the coronavirus. Again, to add, I can repeat that the Board of Governors will meet a week from today. That is the highest ESM decision-making body and will make the facility operational after the national procedures have been done. And this would be 15 days ahead of the deadline that the heads of state and governments gave us. Thank you very much.

Response to question on which year's GDP will be taken into account

Indeed the GDP that we will use to calculate the two percent potential access will be the year 2019. This is mentioned explicitly in the statement of the Eurogroup tonight; I don't know whether you have it already, but if not, you'll find that there.

Response to question on what the interest rate would be today for the Pandemic Crisis Support loans

The way we charge loans is that we look at our own funding costs, which are determined by our rating, which is a top rating. And that's around zero at the moment. Of course, that can fluctuate. That's about zero plus the relevant margin. And again, the President of the Eurogroup explained that it was decided today to reduce that to a lower level. That is also mentioned in the Eurogroup statement - to have full clarity, it's in the footnote on page two. So at the moment, it would mean today that we would charge 0.1 percent on the loan. But as I said, it could go up in case our funding cost goes up. But that would be the situation as of today.

Response to question on what types of expenses will be considered as direct and indirect healthcare costs

All the documents will be published today. And I will also give a table which actually was designed and prepared by the European Commission that will show the categories for the health care expenditures, direct and indirect. So there's agreement how to handle that monitoring job, because that is the one condition that is agreed. We will look how the money that comes from the ESM will be spent in the country on direct and indirect healthcare costs.

Response to question on the ESM's early warning system and preferred creditor status

The other question was on the early warning system. That's different from our preferred creditor status. The early warning system is our approach to follow developments in the countries that borrowed from us; it has nothing to do with conditionality. We just need to be informed about the economic situation, to analyse this as risks to servicing the loan. And I talked about that earlier. We had the example of Portugal today. So we will continue to do that also in other cases.

Indeed, ESM has a preferred creditor status, that is written down in the ESM Treaty. That means that if there were any problem, indeed the ESM should be serviced first. By the way, only the International Monetary Fund has a higher status, above the ESM, but then it's the ESM. And that is widely recognised; this is nothing new. This is also the case for countries that received ESM loans, like Greece and Cyprus.

And it's actually one reason why it's important that the maturity of our loans is relatively long - 10 years - because it would only be relevant for private creditors if they have loans that are longer than our own maturity, which is not very frequently the case.

Response to question on whether two percent of GDP will cover the relevant costs

There is a very clear understanding that 2 percent of GDP can be made available for countries that request this facility. It will not be difficult to show that the healthcare costs - direct and indirect - add up to that amount because part of these healthcare costs will be the existing infrastructure and the cost of the general health system. Because a lot of that has been diverted in the last few months for the purpose of fighting the coronavirus. So that will be a big chunk of it, but in general, there was a clear understanding that two percent will be made available.

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