



Valdis DOMBROVSKIS
Executive Vice-President

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Commissioner

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Mr Mário Centeno
President of the Eurogroup,
Chairperson of the ESM Board of Governors,
Ministry of Finance
Avenida Infante D. Henrique, 1,
PT-1149-009 Lisboa

Dear Mr. President,

Ministers of Finance of the euro area Member States in the Eurogroup meeting of 9 April 2020 proposed to establish a Pandemic Crisis Support, based on the Enhanced Conditions Credit Line (ECCL) of the European Stability Mechanism. This was endorsed by euro area Heads of State and Government at their meeting of 23 April 2020.

In line with the EU framework, a Member State benefitting from precautionary financial assistance from the European Stability Mechanism is subject to enhanced surveillance by the Commission when the credit line is drawn. The framework implies additional monitoring and reporting requirements compared to the regular European Semester surveillance cycle and procedures. Yet, the Eurogroup report states that *“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 justification for the ESM Pandemic Crisis Support are the difficulties created by the COVID- 19 pandemic, an external and symmetric shock. Member States do not experience, nor are threatened, with serious difficulties of an internal origin with respect to their financial stability. Given the very specific and limited scope of the Pandemic Crisis Support, which is a one-off instrument of a temporary nature, linked to the COVID-19 crisis, a streamlined reporting and monitoring framework is warranted, in line with the political agreement reached in the Eurogroup and endorsed by the Heads of State and Government.

It is therefore proposed that:

1. The Commission will focus its monitoring and the reporting requirements on the actual use of the Pandemic Crisis Support funds to cover direct and indirect healthcare costs, reflecting the only conditionality attached to the credit line. As a consequence, the quarterly fiscal reporting required under Article 3(2) of the Enhanced Surveillance Regulation will focus on the use of the funds to cover direct and indirect healthcare costs. For reasons of legal certainty, the Commission will amend Commission Delegated Regulation (EU) No 877/2013 accordingly.
2. The Commission considers that, under the circumstances of the COVID-19 crisis and in view of the nature of the ESM Pandemic Crisis Support ECCL, there is no scope for activating Articles 3(3) and 3(4) of Regulation (EU) No 472/2013 relating to additional reporting and information on the financial system.
3. For the purposes of enhanced surveillance, the Commission will not conduct ad hoc on-site missions in addition to the standard ones that take place regularly within the framework of the European Semester.
4. Given the very specific and limited scope of the Pandemic Crisis Support, and under the circumstances of the COVID-19 crisis, the Commission sees no scope for a possible activation of Article 3(7) of Regulation (EU) No 472/2013, which is designed for dealing with internal structural difficulties.
5. As the conditions are strictly limited to the use of the credit line to support the domestic financing of direct and indirect healthcare, cure and prevention related costs, Article 7 of Regulation (EU) No 472/2013 relating to macro adjustment programme does not apply.
6. Enhanced surveillance ends at the latest when the availability of the instrument ceases but ends earlier if and when all the money available has been drawn and spent by the beneficiary Member State for the envisaged COVID-19 related measures and after the Commission has reported on the use of funds.

7. The monitoring under Article 14 of Regulation (EU) No 472/2013 will take place thereafter. The bi-annual reporting will be streamlined and reflect the specific features of the Pandemic Crisis Support. Review missions will be embedded in the regular European Semester surveillance cycle.
8. Given the very specific and limited scope of the Pandemic Crisis Support and under the circumstances of the COVID-19 crisis, the Commission sees no scope for a possible activation of Articles 14(2) and (4) of Regulation (EU) No 472/2013 relating to additional reporting on the financial system and the necessity to adopt corrective measures respectively.

We are seeking the endorsement of the Eurogroup on the above.

Yours sincerely,



Valdis Dombrovskis



Paolo Gentiloni

Article 14

Post-programme surveillance

1. A Member State shall be under post-programme surveillance as long as a minimum of 75 % of the financial assistance received from one or several other Member States, the EFSM, the ESM or the EFSF has not been repaid. The Council, on a proposal from the Commission, may extend the duration of the post-programme surveillance in the event of a persistent risk to the financial stability or fiscal sustainability of the Member State concerned. The proposal from the Commission shall be deemed to be adopted by the Council unless the Council decides, by a qualified majority, to reject it within 10 days of the Commission's adoption thereof.

2. On a request from the Commission, a Member State under post-programme surveillance shall comply with the requirements of Article 10(3) of Regulation (EU) No 473/2013. **Non verrà attivato**

3. The Commission shall conduct, in liaison with the ECB, regular review missions in the Member State under post-programme surveillance to assess its economic, fiscal and financial situation. Every six months, it shall communicate its assessment to the competent committee of the European Parliament, to the EFC and to the parliament of the Member State concerned and shall assess, in particular, whether corrective measures are needed.

The competent committee of the European Parliament may offer the opportunity to the Member State concerned to participate in an exchange of views on the progress made under post-programme surveillance.

4. The Council, acting on a proposal from the Commission, may recommend to a Member State under post-programme surveillance to adopt corrective measures. The proposal from the Commission shall be deemed to be adopted by the Council unless the Council decides, by a qualified majority, to reject it within 10 days of the Commission's adoption thereof. **Non verrà attivato**

5. The parliament of the Member State concerned may invite representatives of the Commission to participate in an exchange of views on the post-programme surveillance.