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Pandemic Crisis Support
Draft Template for the Response Plan pursuant to Articles 13(3) and 14(2) ESM Treaty

(Note for the Eurogroup Working Group)

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The purpose of this note is to discuss the draft Response Plan template to be used for the Pandemic Crisis Support. It also includes a template table for Member States to report direct and indirect healthcare, cure and prevention costs related to the COVID-19 crisis.

Based on the Eurogroup report of 9 April 2020, the Commission services have prepared a draft Response Plan template (see Annex 1), which responds to Articles 13(3) and 14(2) of the ESM Treaty. It includes the standardised terms that would be applicable to all euro area Member States that would access the Pandemic Crisis Support.

The template would be customized to each beneficiary Member State, when they request access to the Pandemic Crisis Support. The customisation would only pertain to concrete indications of the costs incurred by the Member State as a result of the COVID-19 crisis. These costs concern direct healthcare, cure and prevention costs aimed at helping the healthcare sector respond effectively to the COVID-19 pandemic, as well as indirect costs such as measures to support households and businesses which contribute to the effectiveness and social acceptability of the containment and social distancing measures. Indirect costs also include the automatic increase in government expenditure and automatic reduction in government revenue (automatic stabilisers) that can be attributed to the contraction in economic activity related to the COVID-19 pandemic.

The draft table in Annex 2 indicates the data related to direct and indirect healthcare, cure and prevention costs that would have to be reported by Member States at inception, when they apply for the Pandemic Crisis Support. To avoid double counting, the part of these direct and indirect costs which will be financed by other Union instruments should also be reported.

The Commission would adhere to Recital 4 of Regulation (EU) No 472/2013 according to which “the intensity of economic and budgetary surveillance should be commensurate with, and proportionate to, the severity of the financial difficulties encountered and should take due account of the nature of the financial assistance received.”

ANNEX 1. Draft template for Response Plan pursuant to Articles 13(3) and 14(2) ESM Treaty

THIS RESPONSE PLAN DETAILING THE POLICIES ATTACHED TO THE PANDEMIC CRISIS SUPPORT IS MADE BY AND BETWEEN THE EUROPEAN COMMISSION (ACTING ON BEHALF OF THE EUROPEAN STABILITY MECHANISM), AND [ESM MEMBER]

I - OUTLOOK AND STRATEGY

On 9 April 2020,[1] the Eurogroup reached a political agreement to establish a Pandemic Crisis Support, based on the existing ECCL precautionary credit line and adjusted in light of the specific challenges posed by the Coronavirus (COVID-19) pandemic, as a relevant safeguard for euro area Member States affected by this external shock. It is available to all euro area Member States during these times of crisis, with standardised terms agreed in advance by the ESM Governing Bodies, by consensus, 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 that credit line to support domestic financing of direct and indirect costs regarding healthcare, cure and prevention due to the COVID-19 crisis. The provisions of the ESM Treaty will be followed. The access granted will be of 2% of the respective Member's GDP as of end-2019, as a benchmark. Requests for the credit line can be made until the COVID-19 crisis is over.

This Response Plan[2] has been prepared in response to a request of [**DATE**] 2020 from [**ESM MEMBER**] to the Chairperson of the Board of Governors of the European Stability Mechanism (ESM) for stability support in the form of an Enhanced Conditions Credit Line (ECCL) in accordance with Article 13(3) and 14(2) of the ESM Treaty.

The outbreak and rapid spread of the COVID-19 pandemic has dramatically changed the outlook for the European and global economies. It is now clear that a deep recession in Europe is unavoidable with a sharp fall in euro area GDP in 2020 and a gradual, although incomplete recovery in the level of GDP in 2021. The contraction of euro area GDP is expected to be worse in terms of annual rates than that of 2009. The collapse in economic activity reflects a combination of the unfolding health crisis and strict containment measures, which have resulted in a significant drop in employment and income, a sharp hit to demand and severe disruptions in supply chains. In addition, the unfolding crisis has led to sharply escalating demands on healthcare systems, pressures on national budgets and financial markets.

The magnitude of the collapse in economic activity and the subsequent rebound in the European economy will depend crucially on effective public health actions and timely economic policy responses. Consequently, all Member States and European Institutions and

[1] See point 16 of *Report on the Comprehensive Policy Response to the COVID-19 Pandemic*, Eurogroup, 9 April 2020.
[2] This is based on Articles 13(3) and 14(2) of the ESM Treaty.

bodies are taking decisive action to mitigate the impact of the COVID-19 crisis, within their respective areas of competences.

II – USE OF STABILITY SUPPORT

The Pandemic Crisis Support will be used to support domestic financing of direct and indirect costs regarding healthcare, cure and prevention due to the COVID 19 crisis as further specified in Chapter III. *Inter alia*, such costs can include those arising from measures to support national healthcare systems, which are exceptionally hard hit, with healthcare services at risk of being overwhelmed by the large number of infection cases. It can also include measures that help prevent the spread of the virus by contributing to the effectiveness of containment and social distancing measures, such as measures to support the functioning of essential services and supporting households and businesses which contribute to the effectiveness of the containment measures. The effectiveness of containment and social distancing measures is essential to protect public health in **[ESM MEMBER]** and in the European Union as a whole, and to flatten the number of new cases so that the national healthcare system can cope with the total number of COVID-19 infections and economic activity can be durably restored. These measures are necessary to facilitate a more rapid and sustained recovery, preserving financial stability.

III - SPECIFIC POLICY MEASURES

As of the date of this Response Plan the specific policy measures are the following:

[**INSERT MEASURES AND ESTIMATED FISCAL COST** *these measures and costs can for example pertain to acquiring additional healthcare equipment and products, increase hospital capacity, recruit additional healthcare staff, support existing healthcare staff, finding a vaccine or cure, roll-outCOVID-19 test campaigns, information campaigns to help reduce contagion*; *they may also concern the continued supply of basic goods and essential services to the population during the period of containment measures and measures to support households and firms as they help prevent the spread of the virus by contributing to the effectiveness of containment and social distancing measures.]*

ANNEX 2. Direct and indirect health care, cure and prevention costs

Table to be reported by Member States when requesting precautionary financial assistance

	2020 (forecast)		2021 (forecast)	
Measures and costs related to the COVID-19 pandemic	**€ billion**	**% of GDP**	**€ billion**	**% of GDP**
Direct healthcare, cure and prevention costs related to the COVID-19 pandemic				
Measure 1				
Measure 2				
Indirect healthcare, cure and prevention costs related to the COVID-19 pandemic				
Measures and costs to ensure the functioning of essential services				
Measure and cost 1				
Measure and cost 2				
Measures and costs to support household income				
Measure and cost 1				
Measure and cost 2				
Measures and costs to support businesses				
Measure and cost 1				
Measure and cost 2				
Other costs				
Decrease in revenue that can be attributed to the contraction in economic activity related to COVID-19 pandemic (other than measures above)				
Increase in expenditure that can be attributed to the contraction in economic activity related to COVID-19 pandemic (other than measures above)				
Part of the costs financed by other Union instruments (please detail)				