



EUROPEAN COMMISSION
DIRECTORATE GENERAL
ECONOMIC AND FINANCIAL AFFAIRS

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Pandemic Crisis Support

Eligibility assessment

**conducted by the Commission services in preparation of any evaluation pursuant to
Article 6 Regulation (EU) No 472/13, Article 13(1) ESM Treaty and Article 3 of
ESM Guideline on Precautionary Financial Assistance**

(Note for the Eurogroup Working Group)

Pandemic Crisis Support

Eligibility assessment prepared by the Commission services

This note summarises the outcomes of the preliminary assessments conducted by the Commission services at technical level on the eligibility of euro area Member States for the Pandemic Crisis Support provided by the European Stability Mechanism. The assessments are annexed to the note.

In their meeting of 23 April 2020, the Heads of State and Government of the euro area Member States endorsed the Eurogroup Report of 9 April 2020, in which Ministers of Finance of the euro area Member States had agreed to establish the “Pandemic Crisis Support”. The Support is to be based on the existing Enhanced Conditions Credit Line (ECCL) of the European Stability Mechanism (ESM), adjusted in light of the specific challenge posed by the COVID-19 pandemic. Importantly, this Support is to be available to all euro area Member States until the crisis is over.

The Support is to have “*standardised terms agreed in advance by the ESM Governing Bodies, reflecting the current challenges, based on up-front assessments by the competent European institutions. 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 provisions of the ESM Treaty will be followed. Access granted will be 2 per cent of the respective Member State’s GDP as of end-2019, as a benchmark. [...] The credit line will be available until the COVID-19 crisis is over.*”

In line with this Eurogroup Report, the Commission services have carried out preliminary technical assessments of the economic and financial situation in the euro area and its Member States that would be required under Article 13(1) ESM Treaty and Article 3 of ESM “Guideline for precautionary financial assistance”. The up-front analyses by the Commission services have been done in liaison with the ECB staff and in collaboration with the ESM staff in line with the Memorandum of Understanding on the working relations between the Commission and the European Stability Mechanism signed in Sofia on 27 April 2018.

Based on these assessments, the Commission Services find that the economic and financial impact of the COVID-19 pandemic entails risks for the financial stability of the euro area (See Annex 1). At the same time, the economic situation in euro area Member States is considered to be fundamentally sound, in view also of the following specific considerations:

1. Government debts are expected to remain sustainable in all euro area Member States over the time horizon of the debt sustainability analysis (i.e. ten years) (See Annex 2);
2. Whilst financing needs of all euro area Member States are expected to rise substantially compared to previous funding plans, all Member States are expected to retain market access at reasonable terms;
3. No euro area Member State is in an excessive deficit procedure pursuant to Article 126 TFEU;
4. No euro area Member State is in an excessive imbalance procedure pursuant to Article 7 of Regulation (EU) 1176/2011,

5. External positions of euro area Member States are sustainable given their values and composition as well as the institutional setup of the common currency (see Annex 3)
6. The ECB has concluded that there is no evidence of systemic solvency problems in the euro area banking systems (see Annex 4).