



Eurogroup
The President

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To the members of the Eurogroup

Subject: Eurogroup meeting of 30 November 2020

Dear colleagues,

I would like to share with you the main content and course of our discussions at the Eurogroup meeting held on 30 November by videoconference, where we welcomed the new Maltese Minister of Finance, Clyde Caruana, for the first time.

The Commission was represented by Vice-President Valdis Dombrovskis and Commissioner Paolo Gentiloni. Our meeting was also attended by ECB President Christine Lagarde, ECB Executive Board member Fabio Panetta and ESM Managing Director Klaus Regling. For the first item, we welcomed IMF Managing Director Kristalina Georgieva and then we were joined by Ashok Bhatia from the IMF's European Department for the post-programme and enhanced surveillance items.

1. IMF Article IV review mission to the euro area

Kristalina Georgieva outlined the key points emerging from the consultation, which are also reflected in the concluding statement issued by the IMF. Reactions from European institutions and Ministers confirmed that there is a broad degree of consensus on the assessment of the current situation, on policy priorities for the euro area in the short-to-medium term and a shared recognition of many of the longer-term challenges. The IMF underlined the continued importance of our emergency measures to shield businesses and citizens from the economic consequences of the pandemic and commended our supportive overall policy stance, while recalling there could be a need to react in case further negative shocks materialise. The IMF also stressed the need to refocus policies, when the time is right, phasing out emergency support measures and making the best possible use of the opportunities afforded by Next Generation EU to boost investments and structural reforms that facilitate the coming economic transformations. The IMF encouraged us to pay close attention to the

impacts of the pandemic on all dimensions of economic inequality. I believe these messages are consistent with the overall tenor of Eurogroup policymaking in recent months.

2. Post Programme Surveillance for Cyprus (9th surveillance report), Portugal (12th surveillance report), Ireland (13th surveillance report) and Spain (14th surveillance report)

We were debriefed by the Commission and the ECB on the main findings of the respective post-programme surveillance reports for Cyprus, Portugal, Ireland and Spain and by the ESM on the findings of its early warning system. The IMF also commented from its point of view on the first three countries. We were informed about the economic impact of the pandemic on these economies, which has resulted in a sharp fall in economic activity. The institutions commended the authorities' actions to address the crisis, cushion the impact on business and workers and address emerging risks. The ESM confirmed the view presented in the reports that there were no material risks concerning the scheduled repayments of loans.

3. Greece – 8th enhanced surveillance report and policy contingent debt measures

We discussed the eighth enhanced surveillance report, which summarises the key findings of the institutions on the progress with reform implementation, the economic situation and outlook. We commended the Greek authorities for the large set of timely, targeted and temporary support measures taken to date to cushion the effect of the pandemic on businesses, workers and the healthcare sector. We also welcomed Greece's commitment to continue implementing targeted reforms to address the medium-term risks and challenges identified in the report. On this basis, ministers agreed to release the fourth tranche of policy contingent debt measures, subject to the completion of national procedures. We issued a statement to confirm this understanding, enclosed in the annex.

4. Draft Budgetary Plans: Commission opinions and Communication – presentation

The Commission outlined its assessment of euro area Member States' Draft Budgetary Plans for 2021, as contained in its Opinions and Communication of 18 November. The Commission's assessment is qualitative in nature this year, given the activation of the general escape clause of the Stability and Growth Pact. In its presentation, the Commission stressed that measures to support the economic recovery in 2021 should be timely, targeted and temporary. We will return to this issue for an extended discussion at our next meeting.

Yours sincerely,

Paschal DONOHOE

Annex.

The Eurogroup discussed Greece's progress with reform implementation and its macro-economic outlook, on the basis of the eighth enhanced surveillance report published on 18 November.

As in the rest of the European Union, the pandemic has had substantial social and economic consequences in Greece. The Commission's Autumn forecast shows a strong contraction in economic activity and rising unemployment in 2020, though a partial recovery is projected for 2021. We commend the Greek authorities for the large set of timely, targeted and temporary support measures taken to date to cushion the effect of the pandemic on businesses, workers and the healthcare sector.

We welcome the progress made with reform implementation in these difficult circumstances, in particular the adoption of the major reform of the Greek insolvency framework, which is expected to contribute to resolving the key challenges in the financial sector. Other areas in which good progress has been achieved include public administration, the energy sector, public revenue and social welfare. At the same time, the authorities have taken steps to address delays with key reforms due to the pandemic and most notably reforms in the healthcare sector.

The increased uncertainty entailed by the pandemic continues to underscore the need to tackle decisively the existing medium-term risks and challenges identified in the enhanced surveillance report. We therefore call on Greece to maintain and where necessary strengthen reform efforts to further support the economic recovery, improve the resilience of the economy and to underpin the commitment to improve long-term potential growth. In this context, we furthermore highlight the importance of using the funds available under the Recovery and Resilience Facility to maximum effect by implementing an ambitious pro-growth reform agenda. We also call on the Greek authorities to address remaining vulnerabilities in the financial sector, to continue implementing reforms in the area of public administration and public revenue administration and to proceed with the arrears clearance plan. We welcome the commitment by Greece to adopt as soon as possible secondary legislation for the insolvency reform and to implement the necessary IT system to ensure an effective enforcement of all collateral when the new insolvency rules enter into force. This will continue to be monitored in the context of enhanced surveillance.

Against this background, the Eurogroup welcomes the assessment by the European institutions that taking into account the adverse circumstances caused by the pandemic, Greece has taken the necessary actions to achieve its specific reform commitments, and that the necessary conditions are in place to confirm the release of the fourth tranche of policy-contingent debt measures. Subject to the completion of national procedures, the Eurogroup Working Group and the Board of Directors of the European Financial Stability Facility (EFSF) are expected to approve the transfer of SMP-ANFA income equivalent amounts and the reduction to zero of the step-up interest margin on certain EFSF loans, which are worth EUR 767 million in total. We look forward to the ninth enhanced surveillance report, which is expected to be published in February 2021.