

**European Union****France proposes EU coronavirus rescue fund**

Finance minister calls for time-limited collective response to economic impact of crisis



Bruno Le Maire: 'We should not be obsessed by the word "coronabonds" or eurobonds' © REUTERS

**Victor Mallet** in Paris and Mehreen Khan in Brussels YESTERDAY

France is pushing for a common EU fund to help Europe through the coronavirus crisis, but is proposing that it be limited to five or 10 years and focused on economic recovery to head off German and Dutch objections to mutualising debt obligations.

"We are thinking about a fund which would be limited in time with an indebtedness possibility for the long-term response to the crisis," French finance minister Bruno Le Maire told the Financial Times. "It's absolutely crucial to keep the door open for long-term, broad instruments that would allow us to face a 'postwar' economic situation."

Mr Le Maire said the idea of the fund, which would come on top of other multibillion-euro rescue packages offered or being negotiated by other EU and eurozone institutions, derived from President Emmanuel Macron's proposal for common

"[coronabonds](#)" or "eurobonds" that was supported by eight other euro area governments but rejected by others.

He said there was room for compromise at forthcoming meetings of the 19 eurozone and 27 EU members.

“We should not be obsessed by the word ‘coronabonds’ or eurobonds. We should be obsessed by the necessity of having a very strong instrument to provide us with economic recovery after the crisis.

“Having a fund for, let’s say, five or 10 years — with a limited timeframe — and with the possibility of having common debt but only within that fund, which might be more acceptable for other countries, might be a solution.”

According to a position paper from the French government seen by the FT, Paris wants a dedicated Covid fund to “issue bonds with the joint and several guarantee of EU member states”.

The paper does not state any size for the fund but says the money could be used to fight the pandemic and “finance health expenditures so long as they increase the capacity of our healthcare systems to face exogenous shocks such as Covid-19”.

To pay for the bonds, Paris also proposes a “solidarity tax” or using other forms of EU-wide tax revenue that currently goes straight into the bloc's budget. France also wants EU countries to raise their capital stake in the European Investment Bank to allow the multilateral lender to raise loan guarantees for small businesses.

France and its allies have already suggested using the EU’s next long-term budget, the so-called [Multiannual Financial Framework](#), over which talks were already stalled before the coronavirus crisis, to provide long-term help to members such as Italy and Spain hard hit by the pandemic.

“If there is a difficulty for many member states to have this possibility of making common debt within the MFF, let’s think about the same kind of possibility outside the MFF for a limited period of time with a clear focus on economic recovery after the pandemic,” said Mr Le Maire.

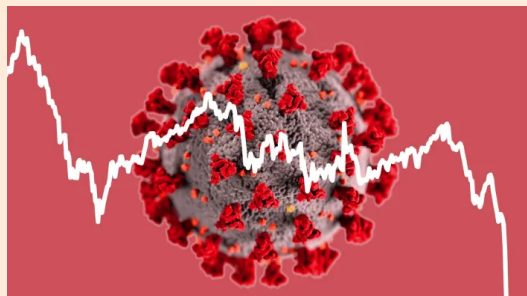
In a more modest plan, the Dutch government wants the EU to set up a smaller €10-€20bn fund to be “donated” to southern economies fighting the pandemic. The money, although limited, would be cash from governments, rather than borrowing or

leverage, and would come with no conditions, according to a paper seen by the FT.

The next package of crisis measures to be agreed by EU or eurozone members is likely to come not in the form of the French-proposed new fund or common bonds, but from the existing [European Stability Mechanism](#), which has a total of €410bn in lending capacity at its disposal.

[Klaus Regling](#), ESM managing director, said this week that it would take up to three years to set up a new European institution to issue coronabonds. “[M]ember states have to come up with capital or guarantees, or assign future revenue,” he said. “One cannot create bonds out of nothing.”

### Coronavirus business update



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Mr Regling said boosts to mutualised debt issuance in the short term would have to come from the ESM, the European Investment Bank or the European Commission, which could issue more debt under the forthcoming seven-year MFF.

Mr Le Maire’s proposed fund, a French official said, could “complement” the MFF and be managed like the MFF by the commission.

Charles Michel, who heads the EU Council, acknowledged on Tuesday that it was “time to think outside the box” and that the EU budget

would “have to be adapted to this crisis”.

He said after a videoconference with the heads of the commission, the European Central Bank and the eurogroup: “The only way forward is a common strategy in a

spirit of solidarity . . . To jump-start the European economy, we will have to use all levers available, at national and European level.”

## Editor's note



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Mr Le Maire also called for help for developing countries that are likely to suffer economic damage from the pandemic.

France has called for a moratorium on bilateral sovereign debt payments in the Paris Club framework, as well as swap lines to provide foreign currency needs and a new IMF allocation of \$500bn worth of special drawing rights for developing nations.

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