European Commission - Speech
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Remarks by Executive Vice-President Dombrovskis at the ECOFIN press conference

Brussels, 19 January 2021

Ladies and gentlemen,

We have just concluded the first ECOFIN under the Portuguese Presidency. I would like to wish every success to João and his team in steering through many important files.

In particular, I welcome the Presidency's focus on Europe's economic recovery.

The Commission fully supports the Presidency agenda to put our economies back on track and lay the foundations for sustainable growth and job creation.

After reaching political agreement on the Recovery and Resilience Facility in December, we need to get this money flowing to regions and people across Europe as a matter of urgency.

It is a historic opportunity to transform our economies and focus on areas of potential growth for the future.

Later this afternoon, my fellow Commissioners and I will present a new strategy to push forward our work on the international role of the euro.

Among other areas, it looks at how we can capitalise on the green and digital transformations to reinforce the global standing of our single currency.

I look forward to working together with the Portuguese Presidency to keep these issues high on the agenda.

At the same time, we need to make more progress with the Banking Union and Capital Markets Union. We will also work further on digital and sustainable finance, and tax policy.

For example, we will soon publish a Communication on Business Taxation for the 21st century, outlining the next steps of our agenda on digital and corporate taxation, followed by our proposal for a digital levy by the middle of the year.

To come back to some of the topics raised: first, the recovery.

The political agreement that we reached on the Recovery and Resilience Facility regulation was not easy.

It took a marathon of nine trilogue meetings over five weeks to bridge positions that began far apart. But we managed to reach a balanced compromise.

As I said, it is urgent to get the RRF up and running.

Our first tasks are to finalise all the national recovery and resilience plans and to ratify the own resources decision to access this unprecedented funding.

Each plan must propose targeted and substantive reforms as well as investments.

Reforms are vital for putting Europe's wider recovery on a sustainable path and supporting upward economic and social convergence between our countries.

These two elements reinforce each other to maximise the impact of the RRF funding. So it is important to strike the right balance between investments end reforms in the plans

The country-specific recommendations of 2019 and 2020, as well as the euro area recommendations agreed by ministers today, provide the compass that will guide countries in compiling their plans.

The reforms and investments should not only create the right conditions for the recovery.

They should contribute to the green and digital transitions too, which is reflected in the mainstreaming targets of 37% and 20% respectively.

Our collective goal is an inclusive recovery.

That is why the plans should also reflect the political commitments undertaken in the European Pillar of Social Rights, and the Sustainable Development Goals.

Many Member States are progressing well with their plans, and it was good to hear the ministers give details of their countries' intentions.

But there is still a lot of work ahead. For example: defining specific and measurable milestones and targets for disbursements, and robust cost estimates.

We also need to strike the right level of ambition in addressing country-specific recommendations and challenges.

In addition, the Commission needs to see effective systems in place to prevent, detect and correct conflict of interest, corruption and fraud. This is vital and we will be watching very closely over the next weeks and months.

Next, I would like to thank President Hoyer for presenting the 2020 Investment Survey from the European Investment Bank to ministers today.

It shows the most recent investment dynamics and impact of COVID-19. And there is no doubt that the pandemic has caused investment to decline in many sectors.

It has made companies reassess their business prospects, and cancel or postpone investments.

The survey findings provide valuable indications on specific investment gaps in the corporate sector and municipalities.

They can be useful to Member States as they draw up their national plans to make sure of targeting the main investment needs, as well as in assessing reforms that will reduce bottlenecks to public and private investments.

Member States are encouraged to use all the EU tools at their disposal, like RRF, InvestEU, Cohesion Funding to help them address investment gaps.

I will turn now to non-performing loans in the banking sector, where ministers discussed the action plan that the Commission proposed in December.

As I have often said, it is essential that banks continue to lend to the real economy and to support the recovery. Europe is still in economic shock.

Thanks to the economic support given by Member States, we have not seen any renewed surge in corporate insolvencies and NPLs so far.

But the pandemic has had a massive impact on the economy and NPL ratios have seen a halt in their downward trend and we cannot exclude a substantial increase.

That is why we presented the action plan, because we need to address NPLs urgently. The plan will prepare the ground for ensuring a stable banking system that can contribute to a rapid and sustainable recovery. It has four main objectives:

- developing secondary markets for distressed assets;
- reforming rules on corporate insolvency and debt recovery;
- supporting a network of asset management companies;
- and, where relevant and necessary, the possible use of precautionary public support measures.

Banks' balance sheets that remain impaired for a longer time in a crisis would undermine the economic recovery.

If we fail to act in time, NPLs would rise for years afterwards.

Thank you and I am open to your questions and comments.

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