



Paschal Donohoe

Minister, Department of Finance, Ireland
& President, Eurogroup

Opening remarks

While it is my pleasure to join you here in person in Paris this evening for the first time in a number of years, today is a dark day.

We have seen the return of naked military aggression to our continent. The rule of international law has been usurped by unprovoked military actions that will bring enormous human suffering.

Our discussions today may seem irrelevant given what we are seeing in the Ukraine. But to me, they demonstrate the unity, strength, and depth that we have built across our European Union. Inside 40 years of being at war with each other, those same countries were negotiating the intricacies of a common market. Now we have moved on to an even more united front, and we are imposing the harshest package of sanctions ever implemented by the EU.

The EU stands absolutely united in protecting our common values and freedoms, and the rule of law, which have brought massive economic and social benefits to our citizens. It is fear of our values, freedoms, and strengths that has seen this unprovoked act of Russian aggression. A simple comparison of European and Russian living standards and economies over the past three decades illustrates how our unity and values have worked so well for European citizens, and how authoritarian policies lead to suffering and inequality.

Having said that, I'll now make some short remarks on the work

and priorities of Eurogroup, the coordination of European economic policy and the outlook in the immediate term for progress on key priorities.

I will begin with an update on where we are with banking union, as there are few audiences as expert in European financial matters as this one – and for many years, EUROFI conferences have considered the Banking Union project and how to make progress.

An ambitious Work Plan on Banking Union is one of my priorities as President of the Eurogroup.

It is critical to our credibility, and to the credibility of the financial sector, that Europe's economic firepower on the global stage is reflected by a competitive banking sector that serves our citizens, our SMEs and our corporates, and a banking sector that can deliver on the ambitious investment needs of our twin transitions.

The Work Plan will be a political framework to deliver tangible progress and will serve the goals of depositor protection, robust crisis management, and a stable, resilient and competitive banking sector which is capable of facilitating broader economic growth.

Along with the promotion of retail investment and an open and strategic Capital Markets Union, a Banking Union will be critical to the future of our monetary union – as a shock absorber, to support the economic recovery and to drive the twin transition.

Every Finance Minister has different priorities for the Banking Union project. At the same time, after having talked to each of them over the past few weeks, I am impressed by Ministers' willingness to devote time and energy to finding agreement.

In March, we will have a debate on the Work Plan. It will cover four workstreams:

- set up a common protection for depositors,
- promote diversification of banks' sovereign exposures,
- improve the management of failing banks and
- create conditions for a Single Market of banking services.

As important as the content is the concept of sequencing – I hope to deliver a phased, gradual approach to build up trust and make sure we are delivering across all workstreams.

I envisage 3 phases:

- Immediate steps based on Commission proposals which will deliver tangible results and make sure we are prepared for possible future crises,
- Medium-term steps to introduce gradually – and in parallel in all four areas – core concepts of a complete Banking Union, and
- A longer-term view, where we will review the steps taken, make sure we are happy that they are delivering what we want. At that stage, if we agree it is needed, we could work on additional or even more ambitious measures.

This phased, gradual approach will allow us to build up trust and make sure we are delivering across all the workstreams. There could be checkpoints along the way to make sure we are delivering in parallel.

This is a delicate balancing act that is complex and politically highly sensitive.

I will rely on all EU finance ministers to assist in the development of proposals that bring us closer to consensus over the coming weeks with a view to delivering a political framework for progress in the coming months.

Moving from banking union to broader issues on economic policy, we have seen a very strong and rapid recovery across the euro area, where we saw growth of 5.3% in 2021 with unemployment at a record low of 7%.

Economic prospects for 2022 remain robust, despite the difficulties created by the pandemic and recent geopolitical developments.

Currently, there are two areas of key concern to all Finance Ministers – the need to monitor inflation across the euro area and the most recent developments in Ukraine will be front and centre in our minds.

Policy will remain agile and in fact a hallmark of economic policy during the pandemic has been the degree of coordination and consensus. We have seen budgetary and monetary policy working hand-in-hand.

Eurogroup has played a key role in this.

The supportive monetary policy decisions of the ECB were coupled with swift, decisive and coordinated actions by governments to cushion the impact of the pandemic at both national and EU level, not least with the implementation of the ground-breaking Next Generation EU recovery plan.

At Eurogroup we will continue to have regular discussions and decisions on economic policy matters.

It is in this context, that we will debate the future of our economic governance framework over the next number of months. Eurogroup will play an active role in this process and tomorrow we will have a further round of discussions on euro area specific aspects of the framework.

As we look to the future, we will pursue a policy mix that supports the recovery, promotes investment, and safeguards

debt sustainability. These objectives are mutually compatible, but we need to strike the right balance.

We also need to recognize the role that the private sector will play in driving and facilitating change – especially in terms of meeting the investment needs of the digital transition and response to climate change.

In many senses, this is why our work on banking union, economic governance and broader economic policies are all intertwined and co-dependent.

I wish you well in the rest of your deliberations, and hope to join you again soon.