# Overview of EU Measures on COVID-19

## European Union

The European Union (EU) recognised the unprecedented situation, which has arisen as a result of the Coronavirus disease 2019 (COVID-19) outbreak and is currently activating measures to help the economic consequences of the COVID-19 crisis.

## Council Adopts Measures for Immediate Release of Funds

The EU Council has adopted two legislative acts to rapidly release funds from the EU budget to help tackle the COVID-19 crisis. One of the acts amends the rules governing the structural and investment funds and the other extends the scope of the EU Solidarity Fund. Given the urgency of the situation, both acts were published in the official journal of the EU on 31 March and entered into force on 1 April 2020.

The Coronavirus Response Investment Initiative of the EU gives member states access to €37 billion of cohesion money to strengthen healthcare systems, as well as support small- and medium-sized enterprises, short-term working schemes, and community-based services. Of the total, about €8 billion will come from unspent pre-financing in 2019 under the structural funds. The new measure allows member states to spend unused money to mitigate the impact of the pandemic instead of returning it to the EU budget. Another €29 billion will be disbursed early from allocations, which would have been due later this year. Expenditure has been made available as of 1 February 2020 to cover costs already incurred in efforts to save lives and protect citizens. Member states will also have greater flexibility to make transfers between various policy programs in order to redirect resources to where they are most needed.

In the second act, the scope of the **EU Solidarity Fund** was amended to include public health emergencies in addition to natural disasters. This helps member states to meet people's immediate needs during the COVID-19 pandemic.

## General Escape Clause

An important element of the response to COVID-19 will come from member states in the form of fiscal intervention. At the same time, member states are constrained by the fiscal rules in place at both EU and national level. Therefore, on 23 March 2020, the EU Ministers of Finance agreed with the EU Commission's proposal to activate the general escape clause of the Stability and Grotwh Pact (Pact). The Pact contains two clauses allowing member states to undertake appropriate budgetary measures, within the Pact, in the face of exceptional circumstances. The first is known as the "unusual events clause", while the second is termed the "general escape clause".

In summary, such clauses allow deviation from parts of the Pact's preventive or corrective arms, either because an unusual event outside the control of one or more member states has a major impact on the financial position of the general government, or because the euro area or the EU as a whole faces a severe economic downturn. The EU Commission noted that the magnitude of the fiscal effort necessary to protect EU citizens and businesses from the effects of the COVID-19 pandemic, and to support the economy, required the use of a far-reaching flexibility under the Pact. For this reason, the EU Commission had proposed to activate the general escape clause. The escape clause has never been activated since its addition to the Pact in 2011, following the preceding years of economic crisis. The clause allows for temporary deviation, without endangering fiscal sustainability, from the normal requirements for all member states to pursue fiscal policy in a crisis caused by a severe economic downturn of the euro area or the EU as a whole. The EU Commission, endorsed by Council, considers that the COVID-19 pandemic qualifies as an "unusual event outside the control of government" and that the conditions to activate the general escape clause are fulfilled.

## Employment and Personnel

The Commission supports the member states in promoting tried and tested short-time working, training and retraining programs. A timely proposal for an EU unemployment reinsurance scheme will be presented to support member states' measures to maintain jobs and skills. The European Globalization Fund could be used to support redundant workers and the self-employed. Up to €179 million is available for 2020. The EU has extended various deadlines for submitting projects. This includes the Erasmus exchange program. It is recommended that the deadlines be reviewed in advance. In the case of Erasmus stays or return trips that cannot be undertaken, the greatest possible flexibility in the implementation of the program should apply.

## Framework for State Aid During the COVID-19 Pandemic

On 19 March 2020, the Commission issued a Temporary Framework to enable EU member states to provide aid in order to support the economy within the framework of the existing state aid rules. The Temporary Framework is based on Article 107(3)(b) of the Treaty on the Functioning of the European Union (Temporary Framework), which provides that state aid can be declared compatible with the common market aid if it remedies a serious disturbance in the economy of a member state.

Consequently, many EU member states have notified a variety of aid measures to the EU Commission under the Temporary Framework for state aid measures to support the economy in the COVID-19 pandemic. The Temporary Framework provides for various types of aid, such as (i) direct grants, selective tax advantages and advance payments; (ii) state guarantees for loans; and (iii) subsidised public loans, all of which are subject to specific conditions. A large number of the notified measures consist of state guarantees, but also public loans and direct grants have been proposed by certain member states. The Commission has been able to approve the proposed measures within a very short time frame.

The EU Commission is now proposing to extend the Temporary Framework by a further five funding possibilities. Antitrust law also does not stand in the way of meaningful business cooperation. The EU Commission provides guidance on this on a new website. The expanded framework for state aid in the COVID-19 crisis is now to include additional:

- Support for research and development in connection with COVID-19
- Support for the expansion of test facilities for important products and equipment
- Support for the manufacture of urgently needed products
- Targeted aid in the form of tax deferrals/deferral of social security contributions
- Targeted aid in the form of wage subsidies

In order to ensure the supply of medical equipment, essential everyday goods and necessary services and to mitigate the economic and social consequences of the COVID-19 pandemic, more and more companies in the EU are entering into meaningful cooperation. The EU Commission welcomes such initiatives, and on 30 March 2020, it set up its own website to provide companies, associations and legal advisors with antitrust guidelines for such temporary cooperation.

## European Banking Authority

The European Banking Authority (EBA) supports all the measures taken so far to ensure banks maintain a sound capital base and provide the needed support to the economy. In this respect, the EBA has reiterated and expanded its call to institutions to refrain from the distribution of dividends or share buybacks for the purpose of remunerating shareholders and assess their remuneration policies in line with the risks stemming from the economic situation.

## The European Investment Bank (EIB)

The EIB Group has proposed a plan to mobilize up to €40 billion of financing. This will go towards bridging loans, credit holidays and other measures designed to alleviate liquidity and working capital constraints for SMEs and mid-caps. The EIB Group, including the European Investment Fund, which specialises in support for SMEs, will work through financial intermediaries in the member states and in partnership with national promotional banks.

The proposed financing package consists of:

- Dedicated guarantee schemes to banks based on existing programmes for immediate deployment, mobilising up to €20 billion of financing
- Dedicated liquidity lines to banks to ensure additional working capital support for SMEs and mid-caps of €10 billion
- Dedicated asset-backed securities (ABS) purchasing programmes to allow banks to transfer risk on portfolios of SME loans, mobilising another €10 billion of support

According to the EIB Group, all these actions could be implemented quickly to ease liquidity shortages and could be implemented in partnership with national promotional banks wherever feasible.







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