Covid-19 Weekly Report

27 March 2020

European Union

European Investment Bank

- On 16 March, EIB Group offered support to European companies under strain from the coronavirus pandemic and its economic effects. Potential financing of up to EUR 40 billion can be mobilised at short notice, backed up by guarantees from the European Investment Bank Group and the European Union budget. Extra funding will be available for healthcare sector for emergency infrastructure and development of cures and vaccines. President Hoyer called for significant, scalable additional guarantee from Member States to ensure access to finance for SMEs and midcaps.

European Central Bank

- On 18 March, the ECB announced a €750 billion Pandemic Emergency Purchase Programme (PEPP); this should support favourable financing conditions for the private and public sectors.
- ECB has also allowed for more flexibility in addressing Non-performing loans (NPLs), recommended to avoid procyclical assumptions in provisioning, introduced measure to support bank lending and provide capital relief, and recommended to adopt a transitory regime on IFRS 9.

European Commission

- On 19 March, The European Commission has adopted a Temporary Framework to enable Member States to use the full flexibility foreseen under State aid rules to support the economy in the context of the COVID-19 outbreak. Supporting the short-term export credit insurance, the Framework introduces additional flexibility on how to demonstrate that certain countries are not-marketable risks, thereby enabling short-term export credit insurance to be provided by the State where needed. The Framework is applicable as of 19 of March and will be in place until the end of December 2020.
- On 20 March, the European Commission activated the general escape clause of the Stability and Growth Pact (SGP); the clause has been activated for the first time since its inception in 2011.

Council of the EU

- On 16 March, eurozone finance ministers agreed that the Member States will implement (1) immediate fiscal spending targeted at containment and treatment of the disease, (2) liquidity support for firms facing severe disruptions, this could include tax measures, public guarantees to help companies to borrow, export guarantees.
- On 23 March (based on the Commission's action from 20 March), Member States' finance ministers endorsed the activation of the general escape clause that would allow to undertake budgetary measures to deal adequately with the severe economic downturn. This will ensure flexibility to take the necessary measures to support the protection systems and economies.
- On 24 March, eurozone finance ministers agreed that the national authorities should: (1) Allow automatic stabilisers to function and in addition implement all required measures to tackle the economic impact of the outbreak; (2) Coordinate efforts at the EU level to supplement national measures, such as the Corona Response Investment Initiative, a €37 billion proposal of the Commission to support health care systems, SMEs, labour markets and other vulnerable parts of the economy. They also agreed that the Eurogroup will work on the necessary measures to help the economy recover once the coronavirus has receded, such as strengthening the architecture and resilience to shocks of the Economic and Monetary Union, or looking at the future Commission proposal on unemployment insurance.

- Ministers broadly supported the idea to consider safeguard based on an existing European Stabilisation Mechanism (ESM), such as the Enhanced Conditions Credit Line (ECCL). This would provide an additional line of defence for the euro and work as insurance in the current situation.

European Council

- On 26 March, 27 heads of states and government convened during a virtual summit held by video conference. Countries disagreed over the economic response to the coronavirus as Northern countries, particularly Germany and the Netherlands, rejected the idea of issuing joint debt, known as "corona bonds", proposed by nine member states to finance the recovery.
- The Council produced a joint statement following the meeting. On the topic of COVID-19 the Council agreed to continue to work along the following five strands:
  1) limiting the spread of the virus;
  2) providing medical equipment, with a particular focus on masks and respirators;
  3) promoting research, including research into a vaccine;
  4) tackling socio-economic consequences;
  5) helping citizens stranded in third countries.

ESAs

- EIOPA issued recommendations to undertakings which offer supervisory flexibility to reporting and public disclosure to: Annual reporting referring to year-end occurring on 31 December 2019; Quarterly reporting referring to Q1-2020; Solvency and Financial Condition Report referring to year-end occurring on 31 December 2019.
- EBA issued a statement regarding the prudential framework and accounting implications of COVID-19, while ESMA also issued a statement on some accounting implications of the economic support and relief measures adopted by EU Member States in response to the virus outbreak.
- ESMA published a decision which temporarily required net short position holders to report positions of 0.1%.
- ESMA issued a positive opinion on the short selling ban by Italian CONSOB, French AMF, and on the bans on net short positions by Belgian FSMA and Greek HCMC.

International Developments

G20

- Leaders of the Group of 20 major economies pledged on 26 March to inject over $5 trillion into the global economy to limit job and income losses from the coronavirus and "do whatever it takes to overcome the pandemic."
- European Council President Michel and European Commission President von der Leyen issued a joint statement following the meeting. called on G20 members to assist each other in repatriating citizens and thanked the G20 Presidency for its focus on global coordination towards enhancing our collective pandemic preparedness.

International Organization of Securities Commissions (IOSCO)

- In its statement from 25 March, IOSCO emphasized that continued functioning of equity, credit and funding markets supports the efforts of the real economy in dealing with the COVID19 crisis through access to funding and through the ability to hedge risks. That is why the securities regulators are focused on the operational and financial resilience of market infrastructures, the operational capability of market users, and the continued flow of information to these markets. They are also providing the appropriate regulatory flexibility to help market participants address the challenges posed by the current situation while ensuring that market integrity and investor protection principles are maintained.

- The coordination is ongoing with other international bodies (Basel Committee on Banking Supervision, the Committee on Payments and Market Infrastructures, the International Association of Insurance Supervisors, Financial Stability Board).

- The International Swaps and Derivatives Association (ISDA) alongside 20 other industry organizations wrote to the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO) on Wednesday, asking them to publicly recommend suspending upcoming compliance dates.

Industry Developments

Association of German Chambers of Industry and Commerce (DIHK)

- On 25 March, DIHK, which have over 3 million members, issued an urgent call for governments to cover insurance for foreign trade, warning that private credit insurers were "withdrawing," in a crisis it warned could quickly bring exports and international supply chains to halt, leading ot production losses, affecting liquidity of the companies, and fueling a larger debt crisis.

- Volker Treier, head of foreign trade at DIHK, called for temporary state support to fill the gap and for the EU to exceptionally allow governments to subsidize credit insurance for exports within the EU and the OECD. "What is therefore necessary now are temporary state guarantees for the receivables of affected export-oriented companies, as well as an extension of state credit insurance to countries that have been marketable up to now, especially those of the European Union and the OECD."

Member States

- **Austria**

State aid: A corona crisis management fund of €38 billion offering financial support measures.
1) Ensure liquidity of companies through credit guarantees, bridging loans, tax deferrals, reduction of advance tax payments and strengthening & accelerating export promotion;
2) Introduction of a new corona short-time work model with accelerated procedures, securing childcare for urgent needs;
3) Companies that release employees to care for their children will receive financial support from the government, covering one-third of the wage costs until Easter. So far, the direct measurable support would sum up to more than €4 billion, equalling 1% of GDP.

- **Belgium**

State aid: No package announced but if a work premises is partially or fully closed because of COVID-19, the employer must invoke a force majeure event not to pay the employees who cannot work (from home) and request the payment of temporary unemployment allowances to the authorities.

- **Bulgaria**

State aid: Liquidity support measures to businesses suffering because of the measures imposed under the State of Emergency. Businesses can apply through the Employment Agency for aid in the form of 60% of the remuneration of their employees.

- **Croatia**

State aid: The government of Croatia will spend around HRK 30 billion in financial assistance to help recover the economy. HRK 3,250 per worker will be paid by 15 April. The employer must pay the remainder of the employee's salary after the assistance has been issued. The government will announce a new set of economic rescue measures next week.

- **Cyprus**

State aid: An economic support package will amount to at least €1.5 billion, approximately 7% of GDP for employees, small and medium-sized enterprises.
It will include direct support, deferred government income in the form of payment suspension of direct and indirect taxes and other fees, as well as government guarantees which will not incur fiscal impact unless they materialise.

- **Czech Republic**

State aid: A loan programme COVID2 for effected entrepreneurs sets 10 billion crowns aside interest-free loans. A targeted employment support programme has been approved to provide salary reimbursement for employees consisting of 60% of the salary.

- **Denmark**

State aid: Denmark's government has allocated 2.6 billion kroner to support businesses. Under the three-month aid period that will last until June 9, the state offers to pay 75% of employees' salaries at a maximum of 23,000 Danish crowns ($3,418) per month, while the companies pay the remaining 25%.

- **Estonia**

State aid: A package of measures of EUR 2 Billion, which represents nearly 7% of GDP to support and protect Estonian working people and businesses. State resources are directed to support companies through KredEx Foundation and the Estonian Rural Development Foundation. The package also includes labour market support of the Estonian Unemployment Insurance Fund, sickness benefits, tax incentives.
The package allows for deferral of tax debt for 18 months, temporary suspension of second pillar pension scheme payments, as well as partial compensation for direct costs of cancelled events.

- **Finland**

State aid: A comprehensive package to safeguard jobs and livelihoods and ease the economic pressure on businesses. The overall scale of the measures will be approximately EUR 15 billion. Companies' financing will be secured through a number of billion-euro measures. New direct payments will also be introduced. The purpose of these measures is to ensure the liquidity of companies during the crisis and to prevent bankruptcies. The measures will be in place in all sectors.

- **France**

State aid: The European Commission on 21 March approved France's plan to guarantee up to €300 billion in state aid to ease the economic burden of the coronavirus. The Temporary Framework includes three schemes. Two schemes enable the French public investment bank Bpifrance to provide State guarantees on commercial loans and credit lines, respectively, for enterprises with up to 5,000 employees. A scheme to provide State guarantees to banks on portfolios of new loans for all types of companies. This is direct aid to the companies that will enable banks to quickly provide liquidity to any company that needs it. France has explicitly said it will bail out their aviation industries if need be. French Economy Minister Bruno Le Maire said that France will "go as far as nationalization" to save the aviation industry. The government already have a 14% stake in Air France-KLM.

- **Germany**

State aid: A €156 billion emergency budget designed to shield the economy. A €50 billion "emergency aid" package is included to cover earnings for small and medium-sized enterprises, the self-employed and cultural workers. In addition, the government said it would set up a €500 billion bailout fund to take stakes in critical industries, if needed, to protect them from bankruptcy or foreign takeovers. A further €100 billion could be used to refinance existing state aid programs.

- **Greece**

State aid: Measures announced to support economy. Under the measures it is possible to suspend payments of tax and insurance liabilities for enterprises which are obliged to discontinue their business because of COVID-19. A daily monitoring mechanism has been set up based on the available information from the GLG, AADE, credit institutions, the Ministry of Labour and the private sector, in order to intervene timely, targeted and efficiently in the sectors of the economy and regions where there is a notable decline of economic activity. An integrated system of support for part-time workers will be enacted as a result of the suspension of wages by businesses which have been temporarily banned. Liquidity will be provided to businesses.

- **Hungary**

State aid: Tax authorities are to exempt 81,480 SMEs from the flat-rate tax liability until June 30 and delay tax debts already incurred before 1 March until after the end of the state of emergency, Prime Minister Viktor Orbán announced on 23 March.

- **Ireland**

State aid: The government is offering various schemes to support businesses impacted by COVID-19. The COVID-19(Coronavirus) Employer Refund Scheme allows employers to make a payment to workers who are temporarily laid off and they will receive a refund of €203. Employers engaged with the scheme can top up the payment by the State.
The COVID-19 Pandemic Unemployment Payment provides €203 per week employees and the self-employed who have lost their employment.

- **Italy**

State aid: A €25 billion tranche of aid to soften the economic blow.
The fund is set to deepen the country's deficit to 3.3 percent of GDP in 2020. 10 billion euros would be set aside for employment benefits, which are to help those who find themselves unemployed in the outbreak as well as self-employed workers set to lose money.

- **Latvia**

State aid: The Commission has approved Latvian subsidised loan scheme and a loan guarantee scheme for companies. The overall budget for the subsidised loan scheme is €200 million, out of which €50 million is envisaged from the State budget and the rest from the international financial institutions.
Latvian policymakers on March 13 said a billion-euro fund could potentially be used as "financial instruments" for businesses via the state-owned ALTUM development bank.

- **Lithuania**

State aid: The Lithuanian government endorsed a package of economic measures, worth 5 billion euros, to mitigate the negative impact of the coronavirus for businesses and workers.

- **Luxembourg**

State aid: The Ministry of the Economy has tabled a bill of law to create an aid scheme intended to top up the existing schemes in order to support those SMUs [Small and Medium-Sized Undertakings] that find themselves experiencing temporary financial difficulties. The costs admissible under the new scheme of aid will be limited to the documented loss of income. The aid will take the form of a recoverable advance payment.

- **Malta**

State aid: The €1.8billion package of measures announced by the Maltese government on March 14 aim to support those sectors of the Maltese economy which will be most affected by COVID-19, such as the tourism, hospitality, accommodation, entertainment, transport, and some manufacturing sectors. The measures will apply to employers and self-employed persons, and are the following:

- March and April tax payment deadlines relating to Provisional Tax, Social Security Contributions, payments under the FSS and VAT will be postponed to a further date. It is understood that businesses will be given adequate time to gradually pay the suspended tax due;
- fast-tracking of repayments of certain refunds or credits due to the taxpayers, such as VAT refunds;
- introduction of a refund scheme for companies which have invested in teleworking, where they would be entitled for a refund claim on part of the expenditure incurred to adopt such infrastructure.

- **Netherlands**

State aid: The Dutch finance minister said the Netherlands would do "everything it takes" to keep Air France-KLM operating. Mr Hoekstra did not give any details about a potential bailout but insisted the Franco-Dutch carrier was "vital" for the Dutch economy.

On 17 March, the government announced extensive measures to help businesses that have been affected by the corona pandemic. These measures are an extension of the ones announced previously (on 12 March).

- The new temporary measure Temporary Emergency Bridging Measure for Sustained Employment will provide financial help for employers to help pay their employees' wages.
- From 16 March 2020 to 1 April 2021, the SME credit guarantee (BMKB) scheme will be extended to help SMEs that are affected by the coronavirus secure bank guarantees and bridge financing.

- **Poland**

State aid: On Wednesday (18 March), Poland announced the creation of a so-called "anti-crisis shield" in connection with the coronavirus pandemic involving a package of actions to support entrepreneurs and employees affected by the crisis. The total value of the support package is expected to amount to PLN 212 billion (€46,7 billion) which equates to about 9.2% of Poland's GDP.

- **Portugal**

State aid: Portugal notified to the Commission under the Temporary Framework four guarantee schemes for SMEs and midcaps affected by the Coronavirus outbreak, active in four different sectors: (i) tourism; (ii) restaurants (and other similar activities); (iii) extractive and Manufacturing industry; and (iv) travel agency activities, touristic animation, event organisation (and similar activities).

The four schemes have a total budget of €3 billion. The Commission has approved the measures.

- **Slovakia**

State aid: The government plans to negotiate with banks the postponement of loan payments in exchange for the abolition of the recently adopted increased bank levy.
The tax returns due at the end of March will probably also be postponed until June, postponement is also mulled for health and social fees for single person business.

- **Slovenia**

State aid: The Government of Slovenia is stepping up the preparation of the first extensive legislation package to help the population and the economy. Slovenia's Ministry of Labour, Family, Social Affairs and Equal Opportunities was quick to react with a draft of the Law on the Interim Measure of Partial Reimbursement of Salaries, which aims to retain jobs by protecting employees and, at the same time, assisting the affected companies. According to the law, the state would help employers who could no longer guarantee work to at least 50% of their employees. While waiting to be called back to work, employees would be entitled to compensation of 80% of their base salary and some of the burden would be borne by the State.

- **Spain**

State aid: Spain announced a €200 billion package on Tuesday (17 March) to help companies and protect workers and other vulnerable groups affected by the spiralling coronavirus crisis.

- Half of the economic assistance measures, which are worth 20% of Spain's output, are state-backed credit guarantees for companies, and the rest include loans and aid for vulnerable people.
- Some €117 billion of the total will be mobilized by the state, with the rest to come from private companies.
- Spain will pay benefits to workers temporarily laid off and suspend mortgage payments for those whose employment has been affected by the outbreak, among other measures.
- The measures will be applied retroactively from 14 March, when Spain declared a state of emergency, a government source said.

- **Sweden**

State aid: The Government proposes that airlines be able to receive credit guarantees in 2020 amounting to a maximum of SEK 5 billion, of which SEK 1.5 billion is intended for SAS, the Scandinavian carrier. The Swedish government on Monday presented a package of measures worth more than 300 billion Swedish crowns to support the economy in the face of the coronavirus pandemic.

- A range of measures were presented to make it easier for Swedish businesses, particularly small- and medium-sized businesses, to access finance at this difficult time.
- The Swedish Export Credit Corporation's credit framework will be increased from SEK 125 billion to SEK 200 billion and can be used to provide both state-supported and commercial credit to Swedish export companies.
- The package includes measures such as the central government assuming the full cost for sick leave from companies through the months of April and May, as well as the brunt of the cost for temporary redundancies due to the crisis.

- **UK**

State aid: The UK has initiated two state aid schemes to support SMEs that have been approved by the European Commission. The schemes include a GBP 600 million budget (€654 million) direct grants to support SMEs affected by the coronavirus outbreak. The Chancellor of the Exchequer, Rishi Sunak, introduced unprecedented employment support package.

Useful links/resources

- European Commission Coronavirus Response Team
- European Centre for Disease Prevention and Control
- Center for Disease Control and Prevention
- World Health Organisation Corona Virus disease outbreak