

Background note on EU Economic measures related to COVID-19 outbreak

PROVISIONAL LIST OF ECONOMIC MEASURES TO FACE COVID-19 DIVIDED BY INSTITUTION (European Commission, European Council, Council of the European Union and European Parliament).

European Commission

13th March

Commission sets out European coordinated response to counter the economic impact of the Coronavirus

- Enhanced flexibility of the State Aid rules in order to provide support to the private sector.
- 'Suspension' of EU fiscal rules: expenditure related to the Covid-19 outbreak will not be included in the calculations of budget discipline.
- Coronavirus Response Investment Initiative: redirect EUR 37 bn from Cohesion funds, extend the scope of the EU Solidarity Fund by to include public health (EUR 800 million) and facilitate the deployment of the European Social Fund.
- EUR 1 billion redirected from the EU budget. Will work as a guarantee to the European Investment Fund, thus incentivising banks to provide liquidity.
- European Globalisation Adjustment Fund to support dismissed workers and those self-employed. EUR 179 million.
- Speed-up the preparation of a legislative proposal for the European Unemployment Reinsurance Scheme

EC is working on creating guidelines to have a more uniform way of health screening carried out at borders.

To increase the market's capacity to provide medical equipment, the EU will coordinate joint public procurement for face masks and other personal protective equipment, support European industries to increase production of all necessary supplies and regulate exports of personal protective equipment from the EU to ensure supply in all member states.

To support the research on Covid-19, the EU is mobilising:

- €47.5 million for 17 projects for vaccines and treatment (announced in February)
- €90 million in public and private funds for therapeutics and diagnostics (announced in February)
- €164 million for SMEs and start-ups

18th March

Nicolas Schmit and Elisa Ferreira [send letters](#) to all Member State representative to communicated the tailor made solution under the Coronavirus Response Investment Initiative.

19th March

[State aid: Commission adopts Temporary Framework](#) to enable Member States to further support the economy in the COVID-19 outbreak

- Direct grants, tax advantages and advance payments to address urgent liquidity needs.
- State guarantees for loans taken by companies from banks.
- Member States will be able to grant loans with favourable interest rates to cover immediate needs.
- Safeguards for banks that channel State aid to the real economy.
- Short-term export credit insurance.

Coronavirus: Commission proposes to activate fiscal framework's general escape clause to respond to pandemic.

[Activation of the general escape clause of the Stability and Growth Pact](#) in order to respond quickly, forcefully and in a coordinated manner to the coronavirus pandemic. It will allow Member States to undertake measures to deal adequately with the crisis, while departing from the budgetary requirements that would normally apply under the European fiscal framework.

European Council (Heads of State and Government)

25th March

In [a letter signed by nine prime ministers](#), several demands have been put forward:

- Ask the European Commission to come out with agreed guidelines, a common base for the collection and sharing of medical and epidemiological information, and a strategy to deal in the near future with the staggered evolution of the epidemic.
- Preserving the functioning of the Single market is essential to give all European citizens the best possible care and the strongest guarantee that there will be no shortage of any kind.
- guarantee the production and distribution of key medical equipment and protections, to deliver them in an affordable and timely manner where they are most needed.
- work on a common debt instrument issued by a European institution to raise funds on the market
- explore other tools like a specific funding for Corona-related spending in the EU budget
- prepare together “the day after” and reflect on the way we organize our economies across our borders, global value chains, strategic sectors, health systems, European common investments and projects.

27th March

The European Council failed to find a consensus on a common debt instrument due to German and Dutch resistance. The European Council gave itself 14 days to come up with a compromise.

Thematic Councils of the EU (an overview)

ECOFIN (Economic and Financial affairs ministers)

12th March

ECB announces easing of conditions for targeted longer-term refinancing operations (TLTRO III)

- More favourable operations to support bank lending to those affected most by the spread of the coronavirus,

ECB announces measures to support bank liquidity conditions and money market activity

- additional longer-term refinancing operations (LTROs) to provide immediate liquidity support to banks and to safeguard money market conditions. While there are no material signs of strains in money markets or of liquidity shortages in the banking system, these operations will provide an effective backstop if necessary.

ECB Banking Supervision provides temporary capital and operational relief in reaction to coronavirus

- measures provide significant capital relief to banks in support of the economy. Banks are expected to use the positive effects coming from these measures to support the economy and not to increase dividend distributions or variable remuneration.

16th March

(EIB) EIB Group will [rapidly mobilise up to EUR 40 billion to fight crisis caused by Covid-19 and calls on Member States to set up a further guarantee for SME and mid-cap support from EIB Group and national promotional banks](#)

- Guarantee schemes to banks based on existing programmes for immediate deployment, up to EUR 20 billion;
- Liquidity lines to banks for additional working capital support for SMEs and mid-caps of EUR 10 billion;
- Securities purchasing programmes to allow banks to transfer risk on portfolios of SME loans, EUR 10 billion of support.

(Eurogroup) Statement on COVID-19 economic policy response. Coordinated efforts at the European level will supplement national measures:

- €37 billion “Corona Response Investment Initiative”
- EIB Group to mobilise up to EUR 40 billion. €20 billion to make further funds available as swiftly as possible and to enhance the flexibility of the financial instruments leveraged; €10 billion in additional investments in SMEs and midcaps for their own account and to accelerate the deployment of another €10 billion backed by the EU budget;
- Monetary policy measures aimed at supporting liquidity and funding conditions for households, businesses and banks.
- Will use all the necessary measures to help the economy recover once the coronavirus has receded.
- [Full flexibility of the Stability and Growth Pact](#). Automatic revenue shortfalls and unemployment benefit increases will not affect compliance with the rules, nor will any temporary and targeted measures, such as those urgently needed to contain and treat the pandemic, ensure liquidity support to firms and sectors, and protect jobs and incomes of affected workers.
- Temporary State Aid framework for supporting firms in the current circumstances
- Flexibility to support the banking sector by providing temporary capital and operational relief to euro area banks. Such flexibility is needed to avoid, as much as possible, pro-cyclical, unintended consequences for the financial sector.

18th March

(ECB) ECB announces €750 billion Pandemic Emergency Purchase Programme (PEPP)

- new temporary asset purchase programme of private and public sector securities to counter the serious risks to the monetary policy transmission mechanism and the outlook

for the euro area posed by the outbreak and escalating diffusion of the coronavirus, COVID-19.

- expand the range of eligible assets.
- ease the collateral standards by adjusting the main risk parameters of the collateral framework to ensure that counterparties can continue to make full use of the Eurosystem's refinancing operations.

EPSCO (Employment and Social Affairs Ministers)

18th March

Ministers for Employment and Social Affairs showed their support and convergence for taking actions in the following areas:

- making partial unemployment possible;
- Providing parents who have to work with a childcare system adapted to today's particular hygiene conditions;
- Supporting the lowest incomes;
- adopting a range of measures (tax deferral, etc.) to avoid causing massive bankruptcy among SMEs.

Commissioner for Employment and Social Rights Nicolas Schmit and Vice-President of the Commission Valdis Dombrovskis confirmed the acceleration of the preparation of the European Reinsurance Facility.

EUROPEAN PARLIAMENT

26th March

Following an urgent procedure, the European Parliament almost unanimously backed two packages of financial support for countries affected by the Coronavirus. These instruments include an investment initiative worth EUR 37 billion and widening the scope of the EU Solidarity Fund by up to EUR 800 million so that EU countries can draw from it in case of a public health emergency.

Council adopts on the 30th of March. [CRII regulation](#) enters into force on the 1st of April.

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