



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

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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. Together with many other support measures that can be used by Member States under the existing State aid rules, the Temporary Framework enables Member States to ensure that sufficient liquidity remains available to businesses of all types and to preserve the continuity of economic activity during and after the COVID-19 outbreak.

Executive Vice President Margrethe **Vestager**, in charge of competition policy, said: *"The economic impact of the COVID-19 outbreak is severe. We need to act fast to manage the impact as much as we can. And we need to act in a coordinated manner. This new Temporary Framework enables Member States to use the full flexibility foreseen under State aid rules to support the economy at this difficult time."*

The State aid Temporary Framework to support the economy in the context of the COVID-19 outbreak, based on Article 107(3)(b) of the Treaty on the Functioning of the European Union, recognises that the entire EU economy is experiencing a serious disturbance. To remedy that, the Temporary Framework provides for five types of aid:

- (i) **Direct grants, selective tax advantages and advance payments:** Member States will be able to set up schemes to grant up to €800,000 to a company to address its urgent liquidity needs.
- (ii) **State guarantees for loans taken by companies from banks:** Member States will be able to provide State guarantees to ensure banks keep providing loans to the customers who need them.
- (iii) **Subsidised public loans to companies:** Member States will be able to grant loans with favourable interest rates to companies. These loans can help businesses cover immediate working capital and investment needs.
- (iv) **Safeguards for banks that channel State aid to the real economy:** Some Member States plan to build on banks' existing lending capacities, and use them as a channel for support to businesses – in particular to small and medium-sized companies. The Framework makes clear that such aid is considered as direct aid to the banks' customers, not to the banks themselves, and gives guidance on how to ensure minimal distortion of competition between banks.
- (v) **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.

Given the limited size of the EU budget, the main response will come from Member States' national budgets. The Temporary Framework will help target support to the economy, while limiting negative consequences to the level playing field in the Single Market.

The Temporary Framework therefore includes a number of safeguards. For example, It links the subsidised loans or guarantees to businesses to the scale of their economic activity, by reference to their wage bill, turnover, or liquidity needs, and to the use of the public support for working or investment capital. The aid should therefore help businesses to weather the downturn and to prepare a sustainable recovery.

The Temporary Framework complements the many other possibilities already available to Member States to mitigate the socio-economic impact of the COVID-19 outbreak, in line with EU State aid rules. On 13 March 2020, the Commission adopted a [Communication on a Coordinated economic response to the COVID-19 outbreak](#) setting out these possibilities. For example, Member States can make generally applicable changes in favour of businesses (e.g. deferring taxes, or subsidising short-time work across all sectors), which fall outside State Aid rules. They can also grant compensation to companies for damage suffered due to and directly caused by the COVID-19 outbreak. This can be useful to support particularly impacted sectors, such as transport, tourism, hospitality and retail.

The Framework will be in place until the end of December 2020. With a view to ensuring legal

certainty, the Commission will assess before that date if it needs to be extended.

Background

State aid rules enable Member States to take swift and effective action to support citizens and companies, in particular SMEs, facing economic difficulties due to the COVID-19 outbreak.

The Temporary Framework adopted today complements the ample possibilities for Member States to design measures in line with existing EU State aid rules, as set out in the [Communication on a Coordinated economic response to the COVID-19 outbreak](#) of 13 March 2020. In particular, they can adopt measures that fall outside the scope of State aid control, such as national funds granted to health services or other public services to tackle the Covid-19. Member States can also immediately act through public support measures that are available to all companies such as wage subsidies, suspension of payments of corporate and value added taxes or social contributions. In addition, Member States can grant financial support directly to consumers, for example for cancelled services or tickets that are not reimbursed by the operators concerned.

In addition, EU State aid rules enable Member States to help companies cope with liquidity shortages and needing urgent rescue aid. Article 107(2)(b) of the Treaty on the Functioning of the European Union enables Member States to compensate companies for the damage directly caused by exceptional occurrences, such as those caused by the COVID-19 outbreak, including measures in sectors such as aviation and tourism.

The Commission had adopted a [Temporary Framework in 2008](#), in response to the global financial crisis.

For More Information

[Communication from the Commission - Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak](#)

#coronavirus

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