

State aid amid COVID-19 outbreak



COVID-19 not only represents a worldwide health security issue, but it also triggers significant negative economic consequences as businesses all over encounter disruptions in their activity.

European Commission stepped in to mitigate the negative consequences on the economy caused by the COVID-19 outbreak.

How? What are the actual measures taken by the European Commission?

During [yesterday's speech](#), Margrethe Vestager, Executive Vice-President of the European Commission stated that it is necessary for the Member States to act fast in order to preserve the continuity of economic activity in such hard times. Therefore, besides support measures that may be granted by the Member States under existing State aid regulations, a temporary new state aid framework has been adopted.

Under this [special crisis framework](#) the Member States may give five types of support:

- **Direct grants, selective tax advantages and advance payments:** Member States will be able to set up schemes to grant up to €800,000 to companies.
- **State guarantees for loans taken by companies from banks:** The aim is to ensure that banks keep providing loans to consumers.
- **Subsidised public loans to companies:** granting loans with favourable interest rates to companies.
- **Safeguards for banks that channel State aid to the real economy:** According to the European Commission *“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”*.
- **Short-term export credit insurance:** Additional flexibility on the proof that certain countries are not-marketable risks and thus enabling short-term export credit insurance to be provided by the State where needed.

Further details regarding each type of special support measure may be found [here](#).

This comes after the European Commission set out [coordinated response](#) to tackle negative impact of COVID-19 outbreak.

Up until now, only Denmark has notified a state aid scheme related to the COVID-19 pandemic. The [European Commission](#) has analysed the Danish aid scheme aiming to compensate organizers for the harm incurred due to cancellation of large event and [concluded](#) that such scheme is in line European state aid rules. Worth mentioning that the European Commission did move fast: the state aid was notified on March, 11 and the European Commission approved the said state aid on March, 12.

Through its decision, the European Commission has confirmed that COVID-19 is an exceptional occurrence in the sense of article 107(2)(b) TFEU which stipulates that aid to make good damage caused by natural disasters or exceptional occurrences shall be compatible with the internal market, Member States may grant aids.

In light of the current context, the European Commission expects that other Members states will implement state aid measures. In order to help Member States tackle more efficiently and rapidly the negative consequences of COVID-19 outbreak the Commission has established [a dedicated contact point](#) for providing guidance to Member States on this point.

Furthermore, the European Commission's has published specific [guidelines](#) with respect to the information that should be provided for notifications of aid under Article 107(2)(b) – exceptional occurrence.

What about Romania?

According to the Ministry of Public Finances' press release, the Government has adopted a series of measures aiming at limiting the effects on the economical environment of the COVID-19 outbreak.

The Ministry of Public Finances will implement a multiannual support program for SME's in order to limit the COVID-19 outbreak:

- Credit guarantee in the limit of 80% & subsidizing the credit interest rate;
- Facilities for companies which encounter financial difficulties;
- Prolonging the terms for submission of restructuration of budgetary obligations demands & deadlines for payment of local taxes;
- Suspension of enforcement procedures regarding citizens' payment of taxes obligations;
- SME's may obtain an emergency situation certificate based on which they may postpone paiement of rents & utilities;
- For the acquisition of protective equipment gear the Ministry of Public Finances grants a loan to the National Company Unifarm S.A.

Furthermore, there are proposals regarding the introduction of a scheme aid of 300 mil. EUR for supporting TAROM and CFR (national railroad company). Other proposed measures concern the limitation of fiscal obligations in certain economic activities (e.g., no income tax for SME's employees active in sectors significantly affected by the COVID-19 crisis).