COVID-19 Response: European Union

GOVERNMENT MEASURES FOR BUSINESSES	ELIGIBILITY	WHEN?
Finance / Loan Schemes		
European Investment Bank (shareholders are EU member states) ► **€40bn new financing** - various liquidity enhancing mechanisms available through intermediary banks, including: ► Guarantee schemes to banks based on existing programs for immediate deployment (up to €20bn) ► Liquidity lines to banks to ensure additional working capital support (up to €10bn) ► Asset-backed securities (ABS) purchasing programs to allow banks to transfer risk on portfolios of SME loans (€10bn) ► **€25bn guarantee fund** - (funded by Member States pro rate their shareholding in the EIB and/or other institutions) allowing EIB to provide existing products to local banks and other financial intermediaries (e.g., guarantee or counter-guarantee instruments) to cover a portion of their loan risk through the existing InnovFin SME guarantee facility and the COSME-Loan guarantee facility	**European private sector SMEs and mid-caps -** under strain from COVID-19 ► Applications filed with participating banks and intermediaries (list will be available on eib.org) ► InnovFin SME guarantee facility – for research based and innovative SMEs and small / mid caps. ► COSME-Loan guarantee facility – for SMEs	TBD – but €40bn available immediately Guarantee fund approved on 3 April 2020 (but not in force yet)
European Central Bank - €750bn pandemic emergency bond purchase program (“**PEPP**”), a temporary asset purchase program (usually by national central banks on behalf of the ECB) until the end of 2020 to fight COVID-19 ► Public Sector/ bonds issued by central governments in the Eurozone ► Corporate Sector Purchase Program (“**CSPP**”) ► Covered Bond Purchase Program (“**CBPP**”) ► Asset-Backed Securities Purchase Program (“**ABSPP**”)	► **CSPP** – Issuer incorporated in EU currency area; €-denominated bonds with IG rating; ECB will purchase up to 70% of the issuance ► **CBPP** - €-denominated covered bonds eligible as collateral under Eurosystem’s monetary policy collateral framework ► **ABSPP** - Issuer incorporated in Euro area; €-denominated securities with IG rating; must be secured by new or existing claims in non-financial private sector entities at least 95% of which are €-denominated and located in Euro area	25 March 2020

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Other		
The European Commission's State aid Temporary Framework to enable Member States and the UK to give: ▸ Direct grants, tax and payment advantages or other forms such as repayable advances, guarantees, loans and equity up to €800,000 per company ▸ State guarantees for loans taken by companies from banks ▸ Public loans with favorable interest rates ▸ Safeguards for banks that channel support to the real economy ▸ Targeted deferrals of tax payments and/or suspensions of social security contributions (deferral period cannot extend past 31 December 2022) ▸ Targeted wage subsidies (up to 80% of employees' monthly gross salary) ▸ Direct grants, repayable advances or tax advantages for coronavirus related R&D, the construction or upgrade of testing facilities and upscaling infrastructures, and for the production of products relevant to tackle the COVID-19 outbreak ▸ Direct grants, guarantees and loans up to a maximum amount € 3 million per company for 'uncovered' fixed costs (i.e., not covered by profit contribution or other sources such as insurance or other temporary aid measures) ▸ Public short-term export credit insurance relating to a number of jurisdictions previously excluded, including the EEA ▸ Recapitalisation (as a last resort and not exceeding the minimum needed to ensure the viability of the recipient): – Equity instruments, in particular the issuance of new common or preferred shares; and / or – Debt instruments with an equity component (so-called "hybrid capital instruments", in particular profit participation rights, silent participations and convertible secured or unsecured bonds) ▸ Recapitalisation measures are subject to strict rules around State remuneration and exit strategy and impose behavioural restrictions on the beneficiary (e, g around M&A activity and bonus payments). These measures are less stringent if private investors significantly contribute to the recapitalisation alongside the State	With limited exceptions only for companies that entered into difficulty after 31 December 2019 (this rule does not apply to micro and small enterprises)	Adopted on 19 March 2020 (amended on 3 April 2020, 8 May 2020 and 29 June 2020 and 13 October 2020) The Temporary Framework is in place until the end of June 2021 except for recapitalisation measures which can be granted until the end of September 2021

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Other		
On 21 July 2020, the European Council approved a €750 recovery fund to be funded thorough EU level borrowing (as this fund will come into existence post-Brexit, the UK will not have access to or involvement in this fund) ▶ The key component is a Recovery and Resilience Facility consisting of €312.5bn in grants and €360bn in loans to be allocated to Member States based on criteria including population, GDP, unemployment levels and the economic harm caused by COVID-19. Payments under the fund are to be conditional on respect of rule of law ▶ 70% of grants to be distributed in 2021/2 with remaining 30% to be distributed in 2023	▶ Member States have to submit plans setting out how they will use the funds and so details on how these funds will be spent and possible beneficiaries will only become clear when these plans are submitted	
"Team Europe Response" (a €20bn package to support partner countries that combines resources from the EU, Member States and the financial institutions (in particular the European Investment Bank and the European Bank for Reconstruction and Development): ▶ Humanitarian support in affected countries (in support of response plans of the WHO) ▶ Strengthen health, water and sanitation systems as well as partner countries' capacities and preparedness ▶ Mitigating the immediate social and economic consequences, including support to the private sector with a focus on SMEs, medium-sized enterprises and government reforms to reduce support (via guarantees, liquidity provisions and technical assistance, support to local banks)	▶ Eligible countries include: (i) Southern Neighborhood (Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia); (ii) Eastern Partners (Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova; Ukraine; (iii) Western Balkans (Bosnia and Herzegovina, Montenegro, Albania, Serbia, Kosovo, North Macedonia); (iv) Turkey; and (iv) Africa, Caribbean and Pacific region ▶ Eligible companies include SMEs and medium-sized enterprises in these regions	

Notes:

- This document only summarises key measures initiated or in place on **28 October 2020**.