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REGULATIONS OF THE EUROPEAN UNION

## **TEMPORARY EUROPEAN FRAMEWORK FOR STATE SUPPORT IN THE OUTBREAK OF COVID-19**

Along with closing of a major part of the European continent in March 2020 following the increased number of people infected with Covid-19, the European institutions organized a number of meetings to decide how to support economies in maintaining an adequate level of functioning in the context of rigorous restrictions of movement.<sup>2</sup> Measures that were adopted throughout Europe allowed for a large-scope government support to the financial sector, including granting of loans and tax relieves, guarantees for banks and other businesses as well as the short-term insurance to cover the globally declining export<sup>3</sup>. Despite the support that generally came at the right moment, the scope of restrictive measures was such that in the second quarter there was an almost unprecedented decline in the economic activity in the peacetime environment, measured in double figures in many developed European countries.<sup>4</sup>

Already on March 19, 2020, the Temporary Framework to support the economy in the context of the Corona virus outbreak was adopted at the level of the European Union, resulting from the need for both closer coordination between the member states and harmonization of government support, otherwise pretty limited in the European legislation.<sup>5</sup> In an effort to maintain liquidity and keep access to finances which the

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<sup>2</sup> Miloš Petrović, "Lloyd" predicts a loss of 107 billion dollars for (insurance) activity in 2020 as a consequence of the Covid 19 pandemics, *The Insurance Trends*, 2020/02, pp. 85–86.

<sup>3</sup> Robin Emmot, EU leaders to hold Corona virus video conference on March 26, Reuters, 19 March 2020, <https://www.reuters.com/article/us-health-coronavirus-eu-parliament-idUSKBN2163KJ>, accessed: 20.9.2020.

<sup>4</sup> Eurostat, GDP down by 12.1% and employment down by 2.8% in the euro area, News release 125/2020, 14 August 2020, <https://ec.europa.eu/eurostat/documents/2995521/10545332/2-14082020-AP-EN.pdf/7f30c3cf-b2c9-98ad-3451-17fed0230b57>, accessed: 15.9.2020.

<sup>5</sup> European Commission, Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, 19.3.2020, [https://ec.europa.eu/competition/state\\_aid/what\\_is\\_new/sa\\_covid19\\_temporary-framework.pdf](https://ec.europa.eu/competition/state_aid/what_is_new/sa_covid19_temporary-framework.pdf), accessed: 22.9.2020.

economy needs, especially in the case of small and medium-size enterprises (the carriers of the economic activity), member states have been allowed to resort to measures that would otherwise be considered protectionist or disloyal. This included options such as wage subsidies and suspension of particular tax expenditures, but also financial support for consumers who have not been supplied goods or services as a result of the pandemic.<sup>6</sup> According to other provisions of this Act, on the basis of Article 107 paragraph 2 (b) of the Treaty on the Functioning of the European Union, the member states were also allowed to compensate companies in sectors that are particularly affected, such as tourism, transport, culture, services, retail, event organization etc., including the users of other aid packages not specifically mentioned this Act.<sup>7</sup> The temporary measures of the state support provided for a few forms of support such as direct loans and advance funds, tax incentives, guaranteed loans, favourable interest rates, support assisted by other credit and finance institutions and short term insurance of the export.<sup>8</sup>

The provisions of this act were drafted to allow for the fastest and most efficient support to the economy, advocated for by the necessity to react in “extraordinary circumstances” (pp. 39) and termed to the period before the end of 2020.<sup>9</sup> The framework was thematically and financially limited to such kind of support as might be associated with the „extraordinary circumstances“, no matter how difficult this might have seemed to distinguish where a pandemic caused stagnation or decline in most areas. For example, Italy informed the European Commission on the provision of state aid to the amount of almost 200 million Euros to compensate for the costs of its aviation company “Alitalia”, for the damage caused during the period when the country largely or completely implemented measures to isolate its population.<sup>10</sup> The support was provide in the form of direct loan to “Alitalia”, which the European Committee estimated a justified measure in the context of the Framework that is the subject matter of this text as well as in the context of other rules on state support within the European Union.

### **Sources**

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<sup>6</sup> See item 12 within the document Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak.

<sup>7</sup> Ibid, items 14–15.

<sup>8</sup> Ibid, items 21–33.

<sup>9</sup> Ibid, items 39.

<sup>10</sup> European Sting, State aid: Commission approves €199.45 million Italian support to compensate Alitalia for damages suffered due to coronavirus outbreak, European Sting/ European Commission, 7 September 2020, <https://europeansting.com/2020/09/07/state-aid-commission-approves-e199-45-million-italian-support-to-compensate-alitalia-for-damages-suffered-due-to-coronavirus-outbreak/>, accessed: 21.9.2020.

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